



JPRS Report

China

China

JPRS-CAR-94-008

CONTENTS

31 January 1994

POLITICAL

Integration of Party, Government Criticized [ZHENLI DE ZHUIQIU 11 Dec]	1
Private Ownership Seen Incompatible With Socialism [ZHENLI DE ZHUIQIU 11 Dec]	3

ECONOMIC

FINANCE, BANKING

Five Issues for State Bond System Reform [JINGJI CANKAO BAO 20 Dec]	6
State Adjusts Production Material Prices, Taxes [JINGJI RIBAO 1 Nov]	8
Statistics on Gross Industrial Output Value in Dec [CEI Database]	9
Revitalizing Jiangsu Machinery Industry [JIDIAN RIBAO 17 Nov]	9
Analysis of Material Situation in 1994 [ZHONGGUO WUZI BAO 1 Nov]	13
Statistics on Gross Industrial Output Value in Jan-Dec [CEI Database]	15

AGRICULTURE

Fujian 1994 Grain Area, Output [JINGJI RIBAO 14 Jan]	15
Liaoning To Implement Water Permit System [LIAONING RIBAO 29 Nov]	15
Effect of Price Mechanism on Grain Purchasing [GUIZHOU RIBAO 12 Oct]	16
Liaoning Official on Agricultural Tax [LIAONING RIBAO 8 Nov]	17

SOCIAL

Changing Family Value System Characterized [SHEHUI Oct]	19
---	----

MILITARY

Performance Report on F-8 II [XIANDAI BINGQI 8 Oct]	20
Problems in Public Security Secrecy Work	21
Vice Minister on Policy [RENMIN GONGAN BAO 18 Sep]	21
Theft, Leaks Outlined [RENMIN GONGAN BAO 18 Sep]	23

TAIWAN

General Chiang Wei-kuo Interviewed on Reunification [Hong Kong PAI-HSING HSIN-WEN CHOU-K'AN 21 Oct]	25
DPP Chairman Hsu Interviewed on Self- Perception [TIEN-HSIA 1 Oct]	26
Professor Interviewed on 'Criminal Politics' [TZULI WANPAO 17 Oct]	28
DPP Quotes Li Teng-hui [TZULI WANBAO 19 Nov]	29
Article Notes 'Criticisms' of Television [TZULI WANBAO 10 Nov]	30
Editorial on Nationalist Taiwan [TZULI WANPAO 26 Oct]	30

Integration of Party, Government Criticized

94CM0107A Beijing ZHENLI DE ZHUIQIU
[PURSUIT OF TRUTH] in Chinese
No 12, 11 Dec 93 pp 9-12

[Article by Fang Wangzhi (2455 2598 0037): "A Critique of the Integration of the Party With the Government"]

[Text] As the party central committee has repeatedly emphasized that its reform objective is the self-perfection of the socialist system, our reform is principled, objective, and directed, not arbitrary, and subjective in neither substance nor end-result. Reform must develop China's productive forces to increase the overall national might of our country, which is a socialist country, not any other kind. Forgetting this point would lead our reform astray.

For a time now, some have been setting forth the so-called "party-government integration" political reform view, wantonly publicizing it in the press, beginning to practice it in some regions, and regarding it as a successful reform experience for dissemination and introduction. Its great impact and rapid spread merit much attention.

"The integration of the party with the government" means integration all the way from the center to provinces, cities, and townships in one version, and integration of the party and government within enterprises in another. The first version is detailed as: "The so-called merging of the party and government into one refers to merging party and government organs where certain functions are identical or similar, to reduce operating links and staffs, and basically achieve a single organization flying two flags, with one capable hand taking on the two jobs of the party committee and the government." This plan says that "as every administrative level from the center to provinces, cities, and townships has the two huge governing organs of the party committee and the government," they must all be merged into one. The second version is detailed as: "This mechanism has four features: 1) It makes staffmember duties consistent, with overlapping party and government jobs, and dual responsibilities for dual posts; 2) It integrates the organizational leadership structure, forming two separate leading bodies into one integrated group in charge of both economic and party work; 3) It consolidates the organizational structure, dissolving and merging administrative offices with similar functions into a single track; 4) It unifies work goals, using systems such as joint party-government meetings and responsibility zones to coordinate party and government work."

These two positions both violate the party central committee spirit on political reform.

The party constitution passed by the 14th CPC Congress points out that "the party's grass-roots organs are its combat fortress in primary social organization, as well as the foundation for all of its work and combat effectiveness."

Can this "foundation" be merged with administrative organs? And if it is, will the party still be combat effective?

Comrade Deng Xiaoping notes that: "The substance of political reform needs deliberation. I believe that political reform should be aimed at stimulating public initiative to raise efficiency and overcome bureaucracy. The substance of reform is primarily to separate the party from the government, with the key being to resolve the matter of how the party should lead and be adept at leadership."

So can "party-government merger" replace separating the party from the government as the particular key to political reform, to become our reform direction?

Just take a look at Comrade Jiang Zemin's opinion: "To deal correctly with party-government relations within enterprises, we need to bring the crucial political role of the enterprise party organization into full play, while ensuring the effective application of the factory director responsibility system. Leading party and government personnel can have appropriately overlapping jobs, and qualified enterprises can have one person concurrently holding the key party and government posts. But we need to intensify our political and ideological work to bring the role of grass-roots party organs into full play, by teaching professional ethics to the vast numbers of party members and employees, advocating a spirit of contribution, strengthening the sense of responsibility of the working class as the master of its own fate, and firmly opposing money worship, hedonism, and extreme individualism, in an attempt to build a corps of employees that can unite in struggle in the midst of market competition." (From a speech on 24 August 1993 at a conference of some large and midsize enterprises from the north and northeast regions)

This speech indicates that while party and government leaders can be appropriately overlapping, and key party and government posts can also be held concurrently by one person, enterprises must bring the key political role of party branches into full play, with enterprise party branches having the major responsibility for ideological and political work among the vast numbers of employees. So enterprise grass-roots party organs must not be dissolved and merged with administrative organs, making "party-government integration" impossible.

The argument that party and government organs need to be merged all the way from the center to provinces, prefectures, counties, and townships—advocating the merger of leading organs with those that are led, the CPC Central Committee with the State Council, all provincial party committees with people's provincial governments, prefectural party committees with prefectural commissioner's offices, and county party committees with county people's governments—stands essentially for dissolving the party into the government, and substituting the government for the party, to completely change China's political system. While the separation of the party from the government is in order to ensure that

party committees at all levels focus their energies mainly on keeping close ties to the masses, by studying new situations and issues to better implement the party's line, principles, and policies, and in order to improve and strengthen party leadership, "party-government integration" dissolves the party into the administration (which is so even though the sign party committee still hangs over the doorway), thus downplaying and even eliminating the leadership of the party. Some time back, the press criticized the fallacy of "political pluralism." While this so-called "political pluralism" denies the leadership status of the CPC, holding that all political parties in China can become ruling parties, by assuming power and ruling in turn just like in the various European and American countries, the current "party-government integration" is even worse than "political pluralism," dimming even the very name of the Communist Party itself. If the CPC could not speak in the just and honorable name of the CPC, but had to speak jointly with administrative organs, what would be left of it!

The practice of "party-government integration" within enterprises, by eliminating grass-roots party organs, would leave the party hanging in midair, severely divorcing it from the masses and ultimately resulting in its demise. Early in Comrade Zhao Ziyang's tenure as general secretary, he used the pretext of thoroughly practicing the factory director responsibility system to issue documents weakening the key political role of enterprise party organizations, severely undermining the combat effectiveness of grass-roots party organs. The stand for "party-government integration" within enterprises would similarly weaken the key political role of enterprise party organs. As to the huge role of grass-roots party organs, as far back as November 1928, Comrade Mao Zedong pointed out in an article entitled "Jinggang Mountains Struggle" that "a key factor in the Red Army's brave fight instead of defeat and dispersion were the company party branches." These "company party branches" ensured the absolute leadership of the party over the army, becoming the heart of the company, enforcing party orders, sharing weal and woe with the rank and file, and having a common destiny, to ensure combat victory. This was the origin of the post-Liberation establishment of party branches in enterprise shops or teams and groups. This is a very effective organizational establishment that has stood a long-standing test of practice. It is only when shops or teams and groups have party branches that they can have a leadership center and guiding organization to keep direct and widespread ties to the masses, by transmitting to the masses the party's principles and policies, without which they would turn into a loose sheet of sand, or even be controlled by unhealthy trends and evil practices. It is only the party branches that bring the unity to complete production tasks, make the situation at the lower levels known to the higher levels in a timely way, and inculcate and standardize the words and deeds of every party member, so that they can play the role of advanced models, understand and teach the surrounding masses, and attract advanced elements from the masses into the

party ranks, to strengthen party might. Liu Shaoqi pointed out in "On the Party" that: "As party branches are the party's working units among the masses, as well as its bridge linking leadership organs with the masses, they must closely connect the masses with the party's leading organs." From the perspective of leadership work, this "bridge" is absolutely indispensable, as a party with only leadership organs but no party branches would be inconceivable. A party without a sound grass-roots organization, just like water without a source or a tree without roots, would eliminate both the regular ties to the masses, as well as work among the masses, so could not exist.

Saying that enterprise party organizations must play a key political role demonstrates precisely their irreplaceable impact. While enterprises are production and economic organizations, not political ones, they absolutely cannot be divorced from politics. In China, while state and collective enterprises must strictly submit to socialist political demands, private, Sino-foreign joint-venture, and individual enterprises also cannot violate basic socialist interests, which is the politics of enterprise. It is absolutely wrong to think that a socialist market economy can deemphasize politics and does not need political indoctrination. While those who promote bourgeois liberalization say that it is unnecessary to emphasize politics so much, they actually do all they can to promote bourgeois politics and eliminate proletarian politics. So who ensures the realization of proletarian political objectives? It is only enterprise party branches, as this is their major responsibility. As enterprise administrative organs are heavily burdened with production tasks, they have very little energy to devote to this. The party committee secretary at the Beijing Internal Combustion Engine Plant says that: "If I was now forced to carry all of the weight [of party and government duties] on my shoulders alone, I would be exerting 99 percent of my energy on business, leaving only 1 percent for party building. As I have been a party committee secretary for so many years, I am still tied to the line of thinking that I ought to be strengthening the party establishment." Such straight-from-the-heart talk provides much food for thought.

The key grounds of those who advocate "party-government integration" is that it will raise work efficiency, an argument which is very one-sided. Higher work efficiency depends on many factors, mainly increased personnel initiative, not "party-government integration." While enterprises must of course focus on economic development, this focus needs political guarantees. An economy without political guarantees can hardly adhere to a socialist orientation, to strictly enforce party principles and policies. In particular operations, while enterprise party and administrative organs must both emphasize business, they each have their particular slant, substance, and style, which are not interchangeable. It is only when both parties display their strengths that they can fully arouse the initiative of talented personnel in all areas to jointly push forward with enterprise economic development. Merging the

party with the government would "meld" the method of diversified channels and substance into a dependence mainly on administrative means, sharply weakening political and ideological work, not helping to stimulate initiative, and even leading people astray into money worship.

As "party-government integration" centralizes power, it easily leads to the patriarchal system in which one person alone has the say, weakening the party's democratic centralism. While some use the pretext that enterprise party and government leaders are often subject to "internal waste" (dissenting work views) as a stand for "party-government integration," except for unprincipled disputes, differing work views is actually a normal thing, which is similarly unavoidable under "party-government integration." While "one person laying down the law" involves no "internal waste," it is also undemocratic. Unprincipled disputes need to be settled with the criticism and self-criticism style, not being in the category of political reform.

"Party-government integration" loses the force of mutual restraint between the party and government, making it hard for administrative organs to exercise self-control, and engendering corruption.

As "party-government integration" often leads to factory directors having the say, it also abets rule by man, being adverse to the establishment of rule by law.

Theoretically, "party-government integration" is also wrong. A political party is a class organization, representing class interests, which is the case in all contemporary social systems. So the CPC is a Chinese proletarian organization, representing the interests of the Chinese working class and all working people. The Chinese regime is a people's democratic dictatorship organization, in which all democratic parties that support the CPC can take part in organizations of political power. Enterprises are economic organizations under the leadership of the state. As the Communist Party, state power, and domestic economic organizations differ completely in nature, they cannot be merged. Merging them would mean eliminating the leadership of the proletariat over the state represented by the party, which would basically violate our constitutional provisions, as well as China's political reform directions and principles.

In short, the "party-government integration" view is hardly tenable!

Private Ownership Seen Incompatible With Socialism

94CM0107B Beijing ZHENLI DE ZHUIQIU [PURSUIT OF TRUTH] in Chinese No 12, 11 Dec 93 pp 28-31

[Article by Lin Jian (2651 1017): "Such Having of Assets"]

[Text] Some have advocated in recent years adding "having assets" to the criteria for the new socialist man of "having ideals, having morality, having culture, and

having discipline," to make the "five haves." This so-called "having of assets" is explained as referring to private individuals owning "the means of production [capital goods] to be used directly for production, as well as from which to derive economic benefit," such as individual employees holding enterprise shares. This differs from the sense of "having assets" under socialism where public ownership dominates in which all workers own the means of production, as well as not being the meaning of "having assets" in possessing individual income through the principle of distribution according to work. According to this formulation, a new socialist man must have (own) private assets such as shares, which excludes from the ranks of the new socialist man not only the majority of common employees who do not own such private assets, but also even the many heroic models on all fronts. As an echo to this, an award-winning article solicited recently by a certain southern newspaper applauded the "having of assets," and was praised by the awards critic for "being more original and forceful than the ordinary criticisms of all eating out of one big pot (big-pottism)."

It is understood that the grounds for this award-winning article being "more original and forceful" were found in "our ancestor Marx" on "the ownership of assets." Ground one was that the "Communist Manifesto" says that "Communism certainly does not divest anyone of the power to own social products," with ground two being the wording used in "On Capital" and other works that Communism would "reestablish individual ownership." While the award winning author came to the "original" deduction on these two grounds that "not divesting anyone of the power to own social products means not opposing private ownership or individual possession of property rights," such an inference is just too fantastic. All who have read the "Communist Manifesto" know that it contains the famous remark that "Communists can sum up their theory in one statement: The elimination of private ownership." Does not "the elimination of private ownership" mean the elimination of private ownership of the means of production, or assets? Did not Communists call their party the "Communist Party" because they wanted to "make a complete break with" the traditional ownership system, or private ownership, to establish a new society based on public ownership? In fact, this makes the most rudimentary common sense not only for Communists, but also for the ordinary citizens of a country like China that has practiced socialism for over four decades. If this were not a deliberate misinterpretation, it would be impossible to conclude from the sentence that "Communism certainly does not divest anyone of the power to own social products," that Marx did not oppose private ownership of the means of production. The "Communist Manifesto" repeatedly emphasizes the thinking that: Private ownership of the means of production, as well as the exploitation and pillage of the working masses by the bourgeoisie that depends on its private ownership of the means of production in fact divests the majority of the members of society of their right to own the social

products that are the results of their own labor. Thus it is necessary to eliminate private ownership of the means of production and practice public ownership of the means of production in order to restore the right of the workers who make up the vast majority of the population to possess the products of their own labor; public ownership of the means of production is the prerequisite and guarantee for the realization of this right of workers. What Marx said in *On Capital* and other works about "reestablishing individual ownership," also refers to restoring the [right] of workers to the fruits of their own labor premised on public ownership of the means of production. Marx explained this point very clearly in *On Capital* as follows: "...while capitalist private ownership is the first negation of private ownership for individuals based on their own labor, capitalist production creates its own negation due to the inevitability of the natural process, which is the negation of negation. Such negation is a reestablishment not of private ownership, but rather of individual ownership based on the success of the capitalist age, or on the basis of common possession of the means of production produced through cooperation, land, and labor per se." (*On Capital*, Volume 1, p 832.) It is thus obvious that turning Marx's "Communism certainly does not oppose individual ownership of social products" and "reestablishes individual ownership" into "does not oppose private ownership of the means of production," is a deliberate distortion. So the "grounds" concocted through such misrepresentation are a fake and shoddy commodity stuck with a Marxist trademark.

It is said that this fake and shoddy commodity was created as a criticism of our traditional economic system's "big-pottism." Is this really so? It is not. In fact, the above comment of "more original and forceful" backed by such fabricated "grounds" is directed certainly not at our traditional economic system's "big-pottism," but rather at public ownership that is the basic economic system of socialism and the basis for our formation of a socialist market economy. Just take a look at the following comment: "As having and not having are relative, ownership by the whole people means ownership of assets by all the people, or that if there are no people without property, there is no not having, not to speak of having. Is this not a case of the Arabian Nights?" In other words, ownership by the whole people is equivalent to no ownership by the whole people. To put it bluntly, as the logic of such a comment is impossible for anyone with a normal reasoning capacity to follow, how could it not be a case of the Arabian Nights! Ownership of the means of production by the whole people means that the means of production are owned by all members of society as a whole, not by any individual or group among all members of society. This is the essential feature of ownership by the whole people. Thus, insisting that this joint possession of the means of production by all of the people means no ownership by the whole people can only show that the one who made this comment is looking at public ownership through the eyes of the propertied "private-slanted mindset" that the

"Communist Manifesto" ridiculed. Such a private-slanted mindset seems to regard "ownership" only as putting things in one's own pocket. In addition, "there is no not having, not to speak of having," is even more revealing than the private-slanted mindset. What is its message? As the one who made this comment found his grounds in Marx, then let us cite Marx to reveal this message. Marx said to the panic-stricken propertied in the "Communist Manifesto" about the elimination of private ownership that: "While you are alarmed when we speak about eliminating private ownership, private property in your existing society has already been eliminated as far as nine-tenths of your members are concerned. As such private ownership exists precisely because private property does not exist as far as nine-tenths of your members are concerned, it is obvious that you are actually blaming us for wanting to eliminate the kind of ownership that is premised on the vast majority of the members of society not having any property." In light of his "there is no not having, not to speak of having," is not this commentator trying to turn the existing ownership by the whole people into a certain kind of ownership in which the minority "own property" premised on "the vast majority of the members of society owning no property?"

This commentator goes on to say that: "The Chinese people's right to the property owned by the whole people is in name but not in reality." "It is such a blurring of name with reality that has produced a prosperous Canada abroad but a China in which all take from the state, a steadily declining production zeal and initiative, and ever-lower efficiency." The solution to these problems is allowing "citizens to own property." To sum it up in a word, as his solution to poor efficiency is to turn ownership by the whole people into private ownership, it is obvious that the commentator believes that public ownership is the root of poor efficiency. In fact, while the poor efficiency noted by this commentator did exist in our traditional economic system for quite a long time and on quite a broad scale, its root was not public ownership, but rather that the inherent demands of public ownership were not well realized in our traditional system. For instance, while public ownership requires rigorous and effective control of public assets, to maintain and promote the overall interests of all the people, our traditional system certainly did not evolve a system of strict rights and obligations to achieve such control, leaving production and management operations of public assets without effective restraints. Taking another example, while public ownership requires the application of the principle of distribution according to work for various worker collectives and working individuals, our traditional system was one of production and operating units all eating out of the state's "big pot," with employees all eating out of the production and operating units' "big pot," leaving production and operating units without motivation, and employees without production initiative. Through reforming our traditional economic system to practice a socialist market economy, these defects are gradually overcome, leaving the

inherent demands of public ownership bound to be realized. As this sharply raises the efficiency of our public economy, blaming the defects of our traditional system on public ownership is unreasonable. The view that public ownership is inevitably inefficient, and that only private ownership is efficient, is even more absurd. Marx long ago refuted this in the "Communist Manifesto": "Some have retorted that once private ownership is eliminated, all activity will cease with the rise of indolence. In which case, bourgeois society should long since have withered away through indolence, as its workers do not gain, and its gainers do not work." We need to understand that a public economy is essentially more efficient than a private one, as it has rooted out exploitation to better stimulate worker initiative. Seizing on the problems encountered in the course of development of the public economy that has a brief history of only decades in China, and making an uproar about the view that public ownership is inevitably inefficient, shows that the private-slanted mindset created through thousands of years of private-ownership history dominates the whole thought process of these commentators. But strangely enough, the commentator still says that "property ownership," or private ownership of the means of production, "is unprecedented in China's thousands of years of history." So it seems that in addition to fabricating Marxist theory, the commentator also needs to falsify part of the social development of mankind to support his precious view about "more original and forceful." In fact, the establishment of public ownership is the thing that is truly unprecedented in China's

thousands of years of history. No matter how those gentlemen governed by the traditional private-slanted mindset may curse public ownership—this new thing in the history of mankind, Chinese Communists and the broad masses will certainly be able to fully shine forth their inherent vigor and vitality in the course of reform.

Finally, to avoid misunderstanding, we also need to point out that our opposition to the comments on the so-called "having of assets," or on realizing private ownership, certainly does not mean that our policy since reform of allowing the non-public economy to exist and grow is wrong, or that people cannot hold individual assets in forms such as shares, and even less so that individuals cannot possess the means of subsistence [consumer goods]. As China's level of development of the productive forces is still quite low, in a multilevel and unequal state, an appropriate development of the nonpublic economy is absolutely essential to speed up the development of the productive forces and supplement public economy inadequacies. Meanwhile, as incomes rise, attracting funds in forms such as issuing shares to supplement state construction-investment shortages, is also absolutely essential. However, these differ substantively from negating and trying to undermine the public economy, and the Constitution of the PRC clearly provides for the dominance of the public economy. As to those who would exploit the subject to their own ends, twist Marxist theory, and thus set off a tide of conclusions that private ownership should replace public ownership, we will expose and attack them resoundingly.

FINANCE, BANKING

Five Issues for State Bond System Reform

94CE0253B Beijing JINGJI CANKAO BAO in Chinese
20 Dec 93 p 4

[Article by Chen Xiaosi (7115 1420 0934) and Wan Laiyou (8001 0171 0645), affiliated with the Huanggang branch of the PBOC in Hubei Province: "Five Issues Regarding State Bond System Reform"]

[Text] State bonds (national treasury bonds) are a national liability based on the credit principle obtained through borrowing from domestic citizens and units in the form of bond sales. While China's resumption of state bond sales in 1981 has raised a lot of funds for the state, playing an important role in supplementing fiscal deficits, supporting economic development, and balancing revenues with expenditures, our state bond system went into effect rather late, so that it still contains certain practical and theoretical issues and weak links that are in urgent need of study and resolution.

An Appropriate State Bond Sales Volume

The sale of state bonds certainly does not directly increase the overall amount of social funds, rather only temporarily changing the flow of some social funds, shifting financial resources not under government control to government control, and making it essentially a redistribution of social funds. So premised on a set overall amount of social funds, state bonds should be sold in a rational volume, which if too low could not ease our current fiscal problems, and if too high might create repayment problems for state revenue. China's state bond sales are now too arbitrary and high in volume. In the decade from 1981 through 1990 alone, China's state bond sales volume grew at an average rate of 25.86 percent a year, exceeding our average state revenue growth rate of 15.09 percent a year, and far surpassing our average social gross output value growth rate of 16.22 percent a year, making it out of line with our economic growth. Since 1988, we have repeatedly postponed the repayment of capital with interest on matured state bonds purchased by units, leaving our debt burden growing larger each year. Meanwhile, as our national balance of revenue and expenditure has seen constant deficits in recent years, these excessive bond sales have affected our repayment capability and our national prestige. So the setting of a state bond sales volume should arouse much attention.

Based on the experiences of advanced nations throughout the world combined with China's realities, our state bond sales volume should be subject to the following three limiting factors: 1) Our national economy's growth rates. Our state bond sales volume growth should be consistent with that of our social gross product, national income, and revenues, with this optimum-balance effect being used to determine whether sales volume is appropriate. 2) Our debt subject's operating capability. As our state bond debt subject is the government, this means that we must first learn the

overall amount of government debt, on which basis to calculate the ratio scale of overall debt to the state's tangible funds and capital. 3) Social sustainability. Our state bond sales scale must consider social sustainability, including funding, material, and social sustainability. Based on China's existing debt burden and possible state revenue sustainability, China's annual state bond sales volume in recent years should have made up about 10 percent of the year's fiscal spending.

Manipulating Our State Bond Sales Term Structure

State bond sales terms come in long, medium, and short, with the ratio of long-, medium-, and short-term state bonds to state bond sales or accumulated overall volume being called the state bond term structure, which directly determines the length of the state's period of use of state bond revenue. All social funds, when idle, also come in long-, medium-, and short-term. While state bonds, as an effective means of attracting funds, should also be adapted to this feature, with a diversified term-structure policy, since China resumed state bond sales in 1981, they have been generally limited to only medium-term ones in the three grades of five to nine years, three years, and two years, meaning that we obviously lack long- and short-term state bonds. This irrational state bond term structure is a minus for the state on one hand, creating bond-repayment peaks, and even higher bond repayments than the year's bond sales, sapping the significance for the state of selling state bonds in the first place; on the other, it is also unsuited to a diversified social fund structure, making it hard to meet the needs of all purchasers. So, in order to suit our state bond sales term structure to China's national conditions, we should consider the following two aspects: 1) State bond term adjustment flexibility. In selling state bonds to raise funds, while medium- and long-term state bonds are naturally better, short-term ones are also indispensable, with the three types generally needing to be compatible. If it is said that the impact of selling medium- and long-term state bonds is to achieve revenue balance for the whole budget year, then selling short-term ones can make up for the various seasonal revenue differences within the year. More state bond categories with better options is undoubtedly attractive to investors, not only promoting state bond sales success, but also being a great plus in raising the use efficiency of treasury funds. 2. State bond category proportion-determination rationality. A) State bond sales terms ought to be suited to the needs of economic conditions. During economic depressions, we should expand as much as possible our sales of short-term state bonds that are economically expansionary. But during periods of inflation, we must increase as much as possible our sales of medium- and long-term state bonds that have a deflationary impact on the economy. B) State bond interest costs should be minimized. When money market interest rates are higher, we should sell more short-term state bonds; and when they are lower, we should appropriately sell more medium- and long-term ones. C) During state bond redemption peaks, we should sell short-term state bonds

to repay old debts with new ones. At other times, we should sell medium- and long-term ones to postpone such peaks.

Our Choice of State Bond Sales Method

Our decade of state bond sales shows that almost all of China's state bond sales use the method of administrative apportionment, with mostly organized sales promotions through the diversified channels of banks, state revenue, and post offices, supplemented with free subscription by individuals. While this sales method was objectively more effective and practical under the market conditions of the time, both ensuring state bond sales success, and raising public awareness about securities investment, it severely violated the autonomy principle of financial asset transactions. For purchasers, mandated apportionment meant fiscal weakness and state credit crisis, thus shaking investor confidence in state bonds. On the other hand, setting subscription amounts based on employee wages did not consider differences in employee subsistence burdens and investor's inclinations. In light of China's national conditions, while continuing to employ administrative means, we should gradually try out economic ones, by expanding financing channels, and practicing comprehensive sales promotion methods, in order to pave the way for a gradual transition to economic means. This could be done by instituting a policy of free investment choice, to evolve a contract relationship between the state and investors based on creditor-liability relations, thus changing the state bond apportionment sales method, to change direct sales by state revenue to an indirect method of competitive group bidding for exclusive selling rights. That is, we would first sell state bonds through the method of competitive bidding by purchasing groups for exclusive sales rights, which would then sell them directly on markets in the form of voluntary transactions. The greatest plus of this method is that it would bring market forces to state bond sales. The state's first purchase of exclusive treasury bill selling rights by financial institutions in 1991 was a valuable try at this.

Setting Rational State Bond Sales Interest Rates

While interest rates are a key means of leverage for regulating bond market capital flow and volume, China's use of this method still contains certain problems. 1) It is overcentralized, with the authority to set and adjust interest rates completely controlled by the revenue sector, leaving markets with no leeway for spontaneous adjustment. 2) There is only one category, with unit and individual subscriptions, without regard for amounts or terms, all at a uniform price. 3) It has remained unchanged for too long, with state bond interest rates, once set, remaining unchanged for years. Thus, in order both to lower sales costs to lighten fiscal burdens and to complete bond sales promptly, we must pay attention to setting rational state bond interest rates, with the right criteria for setting them having a great impact on state bond efficiency and competitiveness. Generally, state bond interest rates should be set based on the following

three considerations: 1) State bond interest rates must move in the same direction as money market ones. When setting state bond interest rates, we need to reference money market interest rates and project interest rate changes during state bond sale terms, in order to keep interest rate fluctuations moving in the same direction for both state bonds and money markets. 2) We need to combine fixed with floating interest rates. As short-term bond sales generally adapt to money market interest rate changes, they should use the fixed interest rate method. But as medium- and long-term bonds do not adapt well to money market interest rate changes due to their longer terms, they should use the floating interest rate method. That is, based on money market interest rates for the term of issue, fixed interest rates based on average market rates, and floating interest rates in consideration of investment stimulus and rational cost burdens, should be combined to make up the year's state bond sales interest rates. In successive years, as money market interest rates change and are affected by domestic policies, the fixed interest rates will remain constant, while the floating ones can rise or fall with the markets. This will enable state bond investors to both ensure their capital and make their anticipated and nominal compensation consistent, while reducing cost spending for the state. 3. The setting of state bond interest rates must also consider national economic policy needs. State bond sale interest rate control needs to be coordinated with government economic reforms during various periods. When the state is tightening money, state bond interest rates need to be appropriately higher; and when the state is expanding credit, its bond interest rates should be relatively lower.

The Choice of State Bond Repayment Methods

The state generally has three debt discharge methods; i.e., direct repayment, market transaction, and paying old debts with new ones. At various times and under varying economic conditions, the debt discharge method also varies. In light of China's state bond market status quo, it would be rational for us to use in the short-term a mixture of the two methods of direct repayment and payment of old debts with new ones. 1. In the direct repayment method, the state repays bonds as they mature in lump sums or payments. It requires the state to have a stronger discharge capability, with more abundant discharge fund sources. China's immediate fiscal condition is that revenues are growing slowly on one hand, while spending is pressing on. If we had maintained our state bond scale of 1989 for the two years of 1991 and 1992, we would not only have had to use all bond revenue to repay capital with interest, but we would also have had to take some revenue each year from our routine budget to make up the difference. As this would make fiscal balance difficult for the year, this method should now be applied only to the redemption of mature individual bonds. 2) In the method of paying old debts with new ones, we turn old bonds, where the government sale of bonds under varying terms and economic climates touched off bond type, repayment deadline, and payment method chaos, into new bonds in

set percentages, as well as restudying bond terms and interest rates, in order to postpone the average bond repayment deadline. Since 1990, the state has used this redemption method. Under China's current bond structure status quo, this is a feasible way of solving state bond repayment problems during repayment peaks. This not only enables the state to acquire some repayment fund sources, but also adjusts old debt repayment terms to coordinate them with new state bond sale repayment terms, for a rational disposition and even distribution, to promote normal state bond sales. Of course, this method can be regarded as only a special means for one-time use and, in consideration of the political factor, can be used only for unit-purchased mature bonds.

State Adjusts Production Material Prices, Taxes

94CE0178A Beijing JINGJI RIBAO in Chinese
1 Nov 93 p 5

[Article by Wu Xin (0702 0207): "To Meet Market Demands, Guide Reasonable Orientation of Circulation, State Adjusts Some Production Material Prices, Tax Rates"]

[Text] Beginning this year, China's production material market prices have exhibited rather great fluctuations, but people are concerned about which are officially approved rational price adjustments. According to data supplied by the China Materials Information Center, as of the third quarter, the following adjustments had been made with the approval of the state departments concerned.

State Determines Scope of Fixed Price Commodities

In 1993 state fixed prices were retained for approximately 33 product categories.

1. Coal: Raw coal, mixed coal, bitumenite, and powdered coal (including washed coal and washed refined coal) produced by mines under central control and local mines brought under central control.
2. Electric Power: State unified fixed price electric net and locally produced electricity. Thermoelectricity produced by thermoelectric plants under state controlled investment.
3. Petroleum: Natural crude oil, natural gas, oilfield liquified gas, gasoline (including central first class station adjusted allocated price and 73 centrally managed market sale priced), kerosene, diesel, heavy oil, and refinery gaseous naphtha.
4. Chemical Industry: Dimethylbenzene and urea and agricultural use nitroammonium produced by designated enterprises (including the portion under unified selling price).

Special Railroad Use Steel Material Adjusted Price

The State Ministry of Metallurgical Industry and the State Planning Commission from 1 August determined the adjusted state unified producer price of such steel materials for special railroad use as heavy rails, wheels, tires, and fish-tail [switching] panels. The price after

adjustment is implemented without distinguishing between products in the plan and those outside the plan.

The adjusted per ton prices of heavy rails (GB2585-81) are: 38 kilogram/meter: U71, 3,450 yuan; U74, 3,480 yuan; U71Mn, 3,570 yuan; U70MnSi, 3,680 yuan; 43 kilogram/meter: U71, 3,420 yuan; U74, 3,450 yuan; U71Mn, 3,540 yuan; U70MnSi, 3,650 yuan; and 50 kilogram/meter: U71, 3,380 yuan; U74, 3,410 yuan; U71Mn, 3,500 yuan; U70MnSi, 3,600 yuan.

The producer prices for each wheel with external diameters of 840mm, 915mm, and 950mm are 1,580 yuan, 1,840 yuan, and 1,920 yuan, respectively.

The per ton producer prices of tires with external diameters of 660-1,400mm and above are 1,030 yuan, 1,150 yuan, 1,420 yuan, 1,750 yuan, and 1,880 yuan, respectively.

The per ton price for fish-tail [switching] panels with specifications of 22, 38, 43, and 50 kilograms per meter is adjusted to 3,500 yuan.

All Lead and Zinc Mines Float Up the Prices of Zinc Ore Concentrate in the Plan

The producer price of zinc ore concentrate in the plan has been lowered because of the effect of market supply and demand. Also the effects of rising prices for electric power and railroad transportation and higher bank loan interest rates have caused the mines' economic performance to seriously decline. To ensure that the task of turning over zinc ore concentrate is completed for 1993, with the agreement of the State Planning Commission Pricing Department, in 1993 the price of zinc ore concentrate in the plan can be floated up 5 percent on the basis of the [1993] number 169 *jiagong* [price and label; 0116 1562] fixed price. The price of zinc ore concentrate produced by other zinc ore concentrate enterprises within the plan also can be implemented based on the stipulations given above. This was implemented from 1 August 1993.

Jilin Papermill Adjusts Up the Price of Newsprint Outside the Plan

Beginning this year, the production costs of a series of newsprint products outside the plan has greatly increased because of such factors as the constantly rising price of lumber and upward adjustment in energy and railroad transportation fees and it is difficult for the enterprises to absorb them. To maintain newsprint enterprises' normal production of newsprint, the Jilin papermill, from 10 July, adjusted the producer price of a series of newsprint products in accordance with relevant regulations. From 10 July 1993, 51 gram common newsprint is 3,800 yuan per ton; 49 gram offset print newsprint is 4,000 yuan per ton; special class-A offset print newsprint is 4,150 yuan per ton; and 45 gram offset print newsprint is 4,250 yuan per ton.

State Tax Rate on Finished Oil and Some Chemical Industry Products

To adapt to new reforms in crude oil prices, the Ministry of Finance has decided to adjust current tax rates and methods of levying taxes on finished oil and some chemical industry products.

Generally product taxes are levied on finished oil produced by petrochemical enterprises in accordance with actual sales income. Finished oil product tax rates have been adjusted to 10 percent for gasoline, kerosene, lubricating oil, and solvent oil; 8 percent for diesel, tar, and other refined oils; and 3 percent for heavy oil, naphtha, and chemical industry light oil and other unfinished oils. The product tax levy on gasoline, kerosene, and diesel produced from crude oil not in the unified plan is temporarily lowered to 5 percent in 1993, and the product tax on solid paraffin, liquid paraffin, pitch, petroleum tar, petroleum benzene, polyethylene, polypropylene, polystyrene, butadiene rubber, acrylonitrile rubber, and nylon 66 has been temporarily reduced to 10 percent.

The State Has Decided To Temporarily Reduce the Levy on Caustic Soda Products

In recent year, costs have increased for caustic soda producing enterprises because of the rising prices of raw and auxiliary materials, leading to a rather large number of enterprises experiencing losses. Out of concern for the actual difficulties of caustic soda enterprises and to support the development of their production, after study by the State Tax Bureau and relevant departments, on 9 June of this year, a notice was issued determining a temporary reduction of the tax rate on caustic soda products to 12 percent (formerly set at 15 percent).

The notice also stipulated that after the temporary reduction of the tax rate to 12 percent, no localities could further open up tax reductions or exemptions.

Statistics on Gross Industrial Output Value in Dec *HK1801095894 Beijing CEI Database in English* 18 Jan 94

[Text] Beijing (CEIS)—Following is a list showing China's total industrial output value in December 1993, released by the State Statistical Bureau:

(in 100 million yuan)			
	12/93	1-12/93	chg over 1-12/92 (pc)
Total	3664.4	35073.9	23.6
Including:			
Light ind.	1833.8	16594.8	22.3
Heavy ind.	1830.5	18479.1	24.8
State firms	1749.0	18307.1	8.9
Collectively owned ones	1474.3	12795.6	39.8
Others	441.1	3971.2	64.4

Note: the industrial output value is measured in 1990s constant yuan.

Revitalizing Jiangsu Machinery Industry

94CE0175A Beijing JIDIAN RIBAO in Chinese
17 Nov 93 p 2

[Article by Xu Hanwen (6079 3352 2429), director of the Jiangsu Provincial Department of Machine-Building Industry: "Revitalize Jiangsu's Machinery Industry by Correctly Handling 10 Relationships"]

[Text] Now, the main theme and target for our province's machinery industry are still the acceleration of development. The development should be sustainable, quick, and sound so as to revitalize the machine-building sector and make it a real pillar industry in Jiangsu. To meet this target, we must make ceaseless efforts to emancipate our minds, seize every opportunity available, and work assiduously and in a down-to-earth way to fulfill all related tasks. Above all, we must correctly handle the following 10 relationships with respect to our state of mind and method of work:

1. Correctly handle the relationship between strengthening macroeconomic regulation and control and developing the industry.

To meet the needs of developing the economy and deepening the reform, the party Central Committee and State Council have put forth a series of policy-related measures aimed at strengthening and improving macroeconomic regulation and control. This is absolutely necessary and timely. A review of our province's machinery industry shows that after breaking the 20-billion-yuan mark last year, the gross output value of this industry increased further by 55.31 percent during the first half of 1993, surpassing the province's industrial growth by 10.71 percentage points and the average growth of the nation's machinery industry by 21.59 percentage points. For the same period, increases in sales and in economic returns both outpaced the growth of production. Affected by the increasingly tight macroeconomic environment, however, this year's monthly production growth has kept declining—each month the growth rate has declined 2 to 3 percentage points. For the entire first half of this year, the farm machinery sector registered a 17-percentage-point drop in its monthly production growth, while for the construction machinery sector the decline was as great as 31 percentage points. Meanwhile, there emerged more factors that increased production costs and reduced profit yield; for the first half of this year alone, a reduction in profit by 1.4 billion yuan was attributable to these factors. Losses suffered by those known as loss-incurring enterprises climbed up to a fairly big extent. Due to an acute shortage of circulating funds in the hands of enterprises, only 14.4 percent of the funding requirements could be met for key technological-upgrading projects. As of the end of June, the three kinds of tied-up funds [funds tied up by products in stock, by goods in transit, and by receivables and prepaid accounts] had amounted to 6.69 billion yuan, up 20.9

percent from the figure registered a year ago. Urgently needed primary and auxiliary materials were in short supply, resulting in a surge in prices. Transportation facilities and electric power supply were far from adequate to meet the demands. If we do not promptly correct the above situation by beefing up macroeconomic regulation and control, the output and economic returns of the entire machinery industry will continue to slide, and some sectors of this industry will encounter more serious problems in production and operations and may even be bogged down in predicament.

Although it has not been long since the macroeconomic regulatory and control measures designed by the CPC Central Committee were put into effect in Jiangsu, they have nevertheless produced remarkable results. This has undoubtedly provided a rare opportunity for the machinery industry—which serves as an equipment supplier in the entire economy—to adjust and develop itself. We should seize this opportunity, value it highly, and make good use of it. On the one hand, under macroeconomic regulation and control, we should be versed in enlivening our microeconomic activities to achieve development. On the other hand, we should see to it that the various microeconomic activities we are carrying out are at all times consistent with and subordinate to macroeconomic regulation and control. That is, it is necessary to seriously implement the party Central Committee's policy decision of strengthening macroeconomic regulation and control and, at the same time, achieve a sustained, quick, and sound development of the machinery industry. This year, our province's machinery industry should make every effort to meet the targets of a sales revenue of more than 30 billion yuan (a growth rate of 30 percent) and a total profit and tax contribution to the state amounting to 2.2 billion yuan (a growth rate of 20 percent) so as to consolidate its pillar-industry position.

2. Correctly handle the relationship between the total production increase and the three kinds of tied-up funds.

An increase in total output inevitably requires more circulating funds. The two have a certain inherent relationship. We should take such measures as enlivening the utilization of the present assets and making best use of the increased capital to avoid or minimize as much as possible the need for increasing the circulating funds and to reasonably control the three kinds of tied-up money. This way we will bring about a self-perpetuating and highly efficient production growth.

A current problem of our province's machinery industry is that with the growth of total output, the three kinds of tied-up funds have kept increasing. In August, the stockpile of products reached 4 billion yuan. Planning production in strict accord with market demands and making an all-out effort to limit the output of certain items, slash their stockpiles, promote sales, collect and avert accounts receivables, and maintain a reasonable amount of stock are key to controlling the three kinds of tied-up funds. We should do this seriously so that we may increase the machinery industry's total output while

keeping the three kinds of tied-up funds at a reasonable level and achieving a fast and sound development of this industry.

3. Correctly handle the relationship between production speed and product quality.

In reality, this involves the question of how to correctly handle the relationship between the quantity and quality of production. We should reach a consensus of thought on the following points and put them into practice in our work.

- Without good quality, quantity will be meaningless, and no real, effective speed can be spoken of. Quality is the life of enterprises. Failing to pay attention to quality, an enterprise or a trade will have no future, and its development will be out of the question.

- While ensuring quality as a prerequisite, we should go in for greater quantity and speed. Authorities in charge of the machinery industry should guide the enterprises to operate "as independent socialist commodity producers and dealers, responsible for their own profits and losses and for their own decision about whether to expand" with attention focused on product quality. They should be guided to improve their product quality as a way to boost their operational efficiency so that they will really embark on the road of efficiency through quality.

- When contradictions arise between product quality and production speed, it is imperative to adhere to the principle of "giving priority to quality." This is especially important. Sample quality inspections conducted by the state and by the ministry concerned in the first quarter of this year revealed that the percentages of standard-quality products turned out by the province's machinery industry were only 67.03 and 66.67 percent, respectively. This shows that product quality is a problem worthy of concern. Therefore, while production is developing quickly, great attention should be devoted to the question of quality. By taking the current drives to transform enterprise operational mechanism and modify government functions as an opportunity, we must seriously carry out the "Product Quality Act" and use the market as a mechanism to gear up quality control and supervision so as to ensure a sound and fast development of production. It is necessary to rely on progress in science and technology to raise our product quality in an effort to catch up with the advanced world standards as soon as possible.

4. Correctly handle the relationship between product development and the optimization of product mix.

Now, Jiangsu's machinery industry turns out nearly 20,000 different varieties and specifications of products. Among them, close to 3,000 are main products. Recently my department has made an analysis of the development levels of 7,821 products made by the machinery industry and found that only 8.34 percent of them are up to the

world's standard of the 1980s. Those meeting the standards of the "late 1970s and early 1980s" account for 21.63 percent, those up to the standards of the 1970s, 55 percent; and those below the standards of the 1960s, 15.03 percent. As can be seen, the proportions of products in terms of their levels of development are not so rational. Further, products meeting high standards have been developed slowly, while most products being turned out are of low standards. Such a state of affairs neither meets the needs of our economic development nor is in the interest of achieving a sustained, quick growth of the machinery industry itself. For this reason, in developing new products, we should not only pay attention to expanding the variety and categories of products and increasing the models and specifications in each category, but also attach great importance to improving their quality. We should strive to develop products made by high and new technologies, products that are a combination of machines and electric equipment, and other products belonging to the technology-intensive category.

Meanwhile, we should constantly adjust and optimize of our present product mix. With the market condition as a guidance and using brand-name and competitive products as model commodities, we should strive to transform, reorganize, and reform our lines of production so as to boost the percentage of high-technology, good-quality, highly profitable, and readily marketable products. In addition, we should successfully adjust our production plans to suit the demands by adopting the strategy of "wrestling the market for urgently needed products, expanding the mass production of highly marketable products, upgrading the quality of moderately marketable products, and replacing nonmarketable products with marketable ones." This way we will be able to constantly adjust and optimize our product mix. To sum up, we should pay close and earnest attention to every aspect of product-mix optimization, from setting targets and developing new products to promoting technological transformation and boosting the marketability of products.

5. Correctly handle the relationship between the development of the industry and the development of advantages and characteristic conditions in various localities.

As an early developed traditional industry and an equipment industry, the machinery industry has a relatively big influence on and is rather closely related to other industries. Because of this, it has received due attention in all regions (cities and counties) and is listed as one of the key undertakings to be developed locally. On the other hand, we have noted that the products made by our province's machinery industry have a serious problem of low standards, that the lines of production in various regions show a tendency to be identical, and that the development and production of new products are at a slow pace. As a result, the industry cannot have a rational layout with distinctive characteristics in each location—a problem which has affected the sustained and quick development of machine-building enterprises.

In view of this, all cities and counties must give prime consideration to their respective priorities, choose the fittest projects to develop, and display their own distinctive characteristics in promoting the machinery industry. They should change the mindset of seeking paralleled and all-inclusive development and rushing to make "products that sell well." Instead, they should dare to give up some of their current undertakings and products, and go all out to develop uncommon products, make good the shortage, and fill up the gaps in the machinery industry. In developing themselves, all cities and counties should keep to the track of making what others don't have, beating competitors by turning out better products, and giving full scope to their own characteristics, so that each of them will have their strong points. This is the only path to take in developing our machinery industry.

Now, competitive products with distinctive characteristics have appeared in various parts of our province. Examples are "vehicles, boxes, machines, and containers" [che xiang ji gui 6508 4630 2623 2681] made in Yangzhou; construction machinery produced by Xuzhou; and farm machinery, mainly diesel tractors, turned out by Changzhou. We should speed up the development of the strong points of various localities. In doing this, we should be oriented toward the domestic and overseas markets, take the local economic and technological conditions into consideration, bring into full play our strong points, and sidestep our shortcomings. We should choose some characteristic products as key targets to make breakthroughs, devote our efforts to improving the quality of these products and expanding their production scale, strive to develop them into competitive products with distinctive local characteristics, and make every effort to bring them up to the nation's advanced level.

To sum up, we should take the development of the strong points and characteristics of various localities as a main task in connection with the effort to increase the total output. We should see to it that while increasing the total production, all localities bring into full play their characteristics and strong points, and that, in doing so, they also contribute to increasing the total production and boosting the economic returns.

6. Correctly handle the relationship between developing "small but specialized" enterprises and promoting conglomerates.

Jiangsu's machinery industry is characterized by large numbers of small- and medium-sized enterprises as well as township enterprises. Such an organizational structure makes it necessary to develop scores of "small but specialized" enterprises as basic units to supplement and coordinate with the development of big and medium-sized enterprises. Based on their characteristics, these small enterprises should constantly raise their technological level, improve their product quality, acquire advanced equipment, and distinguish themselves by fine quality, low production costs, and expertise in their specialized fields. More importantly, they should put

stress on developing conglomerates aimed at making competitive products as the leading commodities, such conglomerates to be formed by sharing assets on the basis of specialization and cooperation. The purpose is to build an economy of scale, bring out the advantage of the integrated whole, and boost the enterprises' competitiveness so that they can get a foothold in the domestic and international markets.

The competent government authorities can do something in organizing such conglomerates. During the last two years, our department did play a leading role in organizing three provincial-level conglomerates. At the same time, a number of conglomerates also came into being in various localities. The year 1992 saw 48 enterprises and conglomerates formed in our province in the machine-building field, each scoring an output value in excess of 100 million yuan or providing more than 1,000 yuan to the government in the form of profit contribution or tax payment. This brought an initial change to our province's machinery industry, which had lacked big and effective organizations. In the future, we should further use our policies, laws, and regulations along with informational and economic measures to guide enterprises to form conglomerates as a way to spur the development of the machinery industry. Such conglomerates may be formed by association or merger of enterprises or through such methods as share-buying, shareholding, or leasing. We should try to see that each sector of our machinery industry has one or two conglomerates.

7. Correctly handle the relationship between introducing technology and capital from outside and making self-improvement.

Since the outset of the reform and opening-up drive, our province's machinery industry has introduced some 120 new technologies from abroad, established 156 partially- or wholly-foreign-funded enterprises, and actually utilized foreign capital in the amount of \$117 million. This has accelerated the updating and upgrading of our products and increased our sources of capital. Acquisition of advanced designs, manufacturing techniques, and management expertise from abroad has helped promote our export trade to earn foreign exchange and has brought in greater economic returns. Our practical experience shows that such acquisition and joint investment with overseas business interests are a significant way for our machinery industry to achieve quick and effective results in making technological progress, seeking quick development, and narrowing the gap between itself and its foreign counterpart.

In the main, acquisition of foreign technology plays the role of raising our starting point in making technological progress, while our foundation for technological progress is to beef up our own strength in the field of science and technology. Because of this, we cannot solely rely on the acquisition of foreign technology. More important is a positive effort to digest and assimilate what we have acquired from abroad and, on this basis, create our own technology, expand our own expertise, and raise our independent development capability. As an example, the

Wuxi Compressor Plant has created its own technology after actively digesting and assimilating the oiled-screw-rod technology acquired from abroad. The plant has developed two new products, no-lubrication screw rods and screw-rod refrigerators. These new products have provided it with a new competitive edge and boosted its capability for sustained development.

In utilizing foreign capital to solve the shortage of funds at home, we should pay particular attention to the following: Along with the capital acquired from abroad, we should also obtain foreign advanced technology and equipment. We should encourage the sectors and enterprises concerned to participate in international division of work and to explore overseas markets for their products. In addition, we should integrate the work of utilization of foreign capital with the transformation of old enterprises and go all out to win success in developing the three kinds of partially- or wholly-foreign-funded enterprises.

8. Correctly handle the relationship between developing the domestic market and exploring the international market.

In view of China's forthcoming "reentry into the General Agreement on Tariffs and Trade," the quickened pace taken in linking the domestic market with the international market, and the internationalization trend of world economic development, every enterprise and region must base itself not only on developing the domestic market but also on exploring the international market. It must act in both directions.

On the one hand, the machinery industry must meet domestic market demands. It must make further efforts to capture a large part of the domestic market and must compete successfully with foreign companies and "imported goods" by means of flexible marketing strategies, good after-sales services, and fine-quality and low-price products. On the other hand, it must, as a strategic measure, expand its international market and boost its exports to earn more foreign exchange. While consolidating and developing the current export market, it must continue to expand the market abroad and establish transnational companies to develop internationalized operations. In no way should it relax or give up the exploration of international market because its products are selling well at home.

9. Correctly handle the relationship between the transformation of government functions and the transformation of enterprises' operational mechanism.

These "two transformations" are both needed in building a socialist market economic structure. We should coordinate and synchronize the work in these two fields, let them promote each other, and really achieve the goal that "enterprises are acting in line with the market condition, while the government is functioning according to the needs of enterprises."

Enterprises should speed up the transformation of their operational mechanism. In doing this, however, they should not relax their internal management. Some time

ago, "using contract arrangements instead of strengthening management" and a relapse of laxity in management appeared in varying degrees in our machinery industry. This matter deserves our particular attention. We must make a real effort to gear up management and devote ourselves painstakingly to "internal work." Factory directors of enterprises should properly exercise their decision-making power while giving full play to the role of the staff members and workers as the factories' masters.

The administrative department in charge of the machinery industry should put in more efforts to transform its functions. On the one hand, it must further implement the "Regulations" [Regulations on Transformation of Operational Mechanisms of State-Owned Industrial Enterprises], simplify its administration, and delegate more power to enterprises so as to create a relaxed external environment for enterprises to better their services. On the other hand, it should not loosen its control over this industry. Especially, it should not relax or give up its supervisory functions (such as supervision in the fields of quality, security, fixed assets, as well as party and government discipline). It must learn to be adept at regulating, controlling, and guiding the industry by using comprehensive measures, including economic means, policy-based measures, and legal, informational, and planning methods. Plus, it must gear up investigations and studies, draw experience from selected units to promote overall work, and pay attention to solving tendentious problems.

10. Correctly handle the relationship between reform and development

Reform is a powerful propellant for development. An industry without reform is hard to develop quickly. Similarly, an enterprise without reform is hard to become lively. We cannot use the old mindset and methods to solve the problems and contradictions encountered in the development of an industry or an enterprise. Still less should we go back to the old road to solve them. The only solution is to deepen the reform.

Our present task is development, but it is more important to be devoted to reform. We should seek development by means of reform and, in the course of development, continue to deepen our reform. Many of the above-mentioned tasks involve the work of reform, such as the tasks related to the three enterprise systems, the shareholding system, the property rights system, and government organizations. We must make rock-firm efforts to deepen the reform in various fields and strive to achieve successful results.

Analysis of Material Situation in 1994

94CE0178B Beijing ZHONGGUO WUZI BAO
in Chinese 1 Nov 93 p 3

[Article by Chinese Material Information Center:
"Analysis and Prospects of the Materials Situation"]

[Text] I

As regards the current overall economic situation, macroeconomic control has just begun to show its effect, the scale of investment still has not been truly reduced, and inflationary pressures still are very great. It is forecast that the annual gross value of industrial output will increase by 20 percent or more, the annual scale of fixed asset investment could break 1 trillion yuan, increasing by 45 percent or more, and the retail price index will increase by about 13 percent. In the two months since the estimate, the tightness of funds could have been somewhat relieved, but it will be difficult for the materials market to exhibit significant change in supply and demand. Moreover, led by the anticipated decline in futures and long-term forward contract prices on several exchanges, the prices of production materials will essentially maintain a steady decline and the rise in the annual price index will be about 40 percent. The weak market trading situation will not show a significant change. It is estimated that annual steel production could increase by 15 percent, and with imports, total resources could break 100 million tons for the first time. Total annual materials sales for the whole society could reach 1.75 trillion yuan, a 30 percent increase. Within that materials system sales are forecast to be 630 billion yuan, an increase of about 35 percent.

Next year the overall economy will have another rapid growth year, although the growth rate could be a little lower than this year. According to preliminary estimates, next year the scale of investments will increase by at least 20 percent. Next year the economic growth rate and the rate of inflation could both reach double digits. To maintain economic stability, the corresponding economic rebound cannot be delayed to the second quarter of next year. It is understood that in setting up the plan for next year the guiding thought is to achieve sustained rapid economic growth as much as possible.

II

According to the basic estimates given above, the combined index of production material prices is expected to continue to rise, but the increase could be smaller than this year. Preliminary calculations are for the combined index of prices influenced by upturning factors to rise by five percentage points next year. Adding new price rising factors, the rise in the combined index could exceed 10 percent. Certainly, the overall characteristic of next year's prices will not simply be rising or declining. Next year's production material prices fluctuations could very well exhibit a complicated and changeable situation, because next year the factors influencing price fluctuations will increase. Not only must we consider the domestic economy, we also must consider changes in the international market, and we must especially consider the implementation of several recent major reform measures. For example, reform of the Ministry of Finance tax revenue system, reform of the financial system, reform of the foreign exchange and foreign trade systems, and continuing adjustments (or freeing up) of the prices of energy, basic raw materials, and transportation could have a huge influence on the economy and the production

materials market. So, structural change will be a pronounced characteristic of next year's materials market prices. Both the product mix and the regional structure could cause them to rise or fall. The characteristics of the market economy will be even more significant.

In addition, next year the adjusted price of foreign exchange could tend to rise. Some experts believe that if China wants to accelerate the merging of the dual track foreign exchange system and lessen the impact of "reen-try into the GATT," it should be accompanied with a continued devaluation of the renminbi. If the foreign exchange rate is merged next year and the foreign exchange quota system is eliminated, the price of foreign exchange could reach or exceed 9 yuan to the U.S. dollar. This would help the international balance of payments, but it also could promote domestic price rises.

III

Based on the above analysis of next year's macroeconomy, we have calculated the balance of supply and demand for principal materials. It can be simply described as follows:

1. There still will be a gap between supply and demand for steel and the market can be expected to rebound. Next year's steel demand is forecast to increase by 10 percent to 13 percent. As regards resources, domestic production could increase by 12 percent to 15 percent. With the use of some reserves, there still would be a rather large gap that will depend on imports. So, the steel market can be expected to rebound in the first half of next year. As regards product mix, the majority of the overstock is in wire rods and threaded steel. So, it is difficult to expect that the prices of construction use steel could return to this year's high levels. Production materials such as some plate and tubing materials, especially such heavily imported materials as cold-rolled silicon steel sheets, large diameter seamless tubes, and galvanized iron could again tend to be tight.

Next year China will still need to import a rather large amount of steel. At the same time, it also will eliminate the licensing system for a group of materials including steel and there will be an increase in destabilizing factors on the steel market.

2. The prices of nonferrous metals could come out of the low valley. It is estimated that next year the world economy will tend to rebound and it could somewhat increase the demand for nonferrous metals, and the international price could come out of the valley. The domestic economy will maintain a rather high acceleration and the demand could continue to rise. The market price will stumble toward stability and then rebound to a certain extent. According to overall calculations, next year copper and aluminum will have to maintain imports no lower than this year to essentially balance domestic resource supply and demand.

3. The supply of coal can be assured and the market price will steadily rise. It is forecast that next year the demand will continue to steadily rise, increasing by 5 percent to 6 percent and reaching about 1.2 billion tons. Next year coal production can maintain about a 5 percent rate of increase, and with a rather high level of reserves, can essentially satisfy demand. But because of the effect of inadequate transportation and adjusted prices, the price of coal still will rise steadily.

4. The building materials market will rise steadily. Next year investment growth will remain a major factor moving the economy, and the building materials market continue to look favorable. It is estimated that next year national cement consumption will continue to increase, exports will remain steady with this year, and total demand will increase by approximately 14 percent. Generally, domestic production capacity can satisfy demand, but there is a pronounced contradiction in the product mix, and large cement and high grade cement could still be tight. The market for other building materials such as glass and ceramics for construction use and decorating materials also will gradually improve.

5. There is a rather large contradiction in lumber production and demand and the market tends to be tight. It is estimated that next year lumber demand will be largely the same as this year, but because domestic production also could decline, the balance of supply and demand will depend more and more on imported resources. If Western economies recover, the demand for lumber could increase, creating a tight international market, and the price could go higher. It appears that next year imports could continue to be reduced and the price tend to rise.

6. The chemical industry market is both sluggish and flourishing with product mix the principal contradiction. Next year with the national economy growing rather rapidly, the chemical industry market demand could rebound somewhat, but there is a rather large divergence among various types of products. The sales of plastic materials such as polyethylene, polypropylene, polyvinyl chloride (PVC), PVC resin, and ABS resin, and natural rubber can be expected to improve and prices will tend to rise.

7. Automobile market resources are adequate, but prices are rather greatly effected by policy. Since the third quarter, influenced by such policies as tight money and increased credit association controls, the flourishing automobile market suddenly cooled, dropping everywhere, and the prices of large and small vehicles generally declined. It is estimated that next year's automobile production could reach 1.5 million vehicles and with imports supply can be ensured. As regards the product mix, the market for heavy vehicles sold mainly to such key industries as the railroad, energy, and the basic raw materials industry will still be good. The small vehicle business could be in trouble compared to this year. As regards the price of automobiles, as it gradually merges with international market demand, for a period of time, the domestic price generally should steadily decline.

Statistics on Gross Industrial Output Value in Jan-Dec

HK1801100094 Beijing CEI Database in English
18 Jan 94

[Text] Beijing (CEIS)—Following is a list showing China's total industrial output value in January-December 1993, released by the State Statistical Bureau:

(In 100 million yuan)			
	1-12/93	1-12/92	Change over 1-12/92 (pc)
Total	35073.9	28281.0	23.6
Including:			
Light ind.	16594.8	13568.1	22.3
Heavy ind.	18479.1	14812.8	24.8
State firms	18307.1	16813.5	8.9
Collectively owned ones	12795.6	9151.8	39.8
Others	3971.2	2415.7	64.4

Note: the industrial output value is measured in 1990s constant yuan.

AGRICULTURE

Fujian 1994 Grain Area, Output

94CE0257C Beijing JINGJI RIBAO in Chinese
14 Jan 94 p 2

[Summary] In 1994 Fujian Province will maintain a grain area of 29.5 million mu, and gross output of 9.5 million tons, an increase of 80,000 tons over 1993.

Liaoning To Implement Water Permit System

94CE0195B Shenyang LIAONING RIBAO in Chinese
29 Nov 93 p 1

[Article by Gong Junchun (7895 0193 4783): "Liaoning Begins Implementing Water Permit System Next Year; Xiao Zuofu (5135 0155 1381) Alerted All People of Liaoning Province To Strengthen Sense of Urgency and Responsibility To Preserve Sources of Water"]

[Text] "Water has become an important factor which controls Liaoning's economic development and it is imperative to implement across the board a water permit system, to strengthen water management and to scientifically develop and utilize sources of water," these were remarks made by Liaoning Party Committee Standing Committee member and Vice Governor Xiao Zuofu at the symposium on the "Practical Implementing Procedures for Instituting a Water Permit System" held recently under Liaoning Province's sponsorship.

Liaoning is among the provinces in north China with the most serious water shortage problem, with a per capita water availability estimated at one-third of the national level. Not only is there a scarcity of water supply sources,

there are also four unfavorable characteristics: One is the uneven distribution in the water table during the year, with 70 to 80 percent of the water supply concentrated in the months from June to September; second, there is considerable imbalance between sources of water supply and population distribution and land use, with over half of Liaoning's population and farmland located in the central part of Liaoning having access to only 38 percent of the province's water supply; third, there is a lack of coordination between regional economic development and the sources and quantity of water supply, with the central part of Liaoning, the province's economic lifeline, having the most serious shortage of water supply; and fourth, there is a lack of balance in developing sources of water supply among the various rivers and tributaries; in the case of the Liao river (flowing through the central part of Liaoning), 67 percent of its water sources were developed, but in the Yalu river and the various tributaries in Liaodong peninsula, only 5 to 20 percent of water sources were developed. In addition, there are widespread phenomena of man damaging water sources and wasting water supply. Because of excessive drawing of underground water, wells are drying up in rather large areas in parts of Shenyang and Liaoyang. In such places as Dalian, Yingkou, Jinzhou and Jinxi, also because of over-drawing of underground water, an increasingly large area is affected by sea water seepage, which has created great difficulties in terms of water usage for industrial and agricultural production as well as people's livelihood. Some specialists are predicting that if any problem develops in Liaoning's "second stage of development," it will very possibly be over "water." Xiao Zuofu said this is no mere alarmist talk but is the fact. The entire body of cadres and masses of Liaoning must strengthen their sense of urgency and responsibility to preserve and protect the sources of water supply.

Xiao Zuofu said that the purpose of the government implementing a water permit system which will control usage of water drawn directly from underground, rivers or lakes is to strengthen the macro-controls over water resources in order to achieve an optimum balance between water supply and water use for national economic development and for meeting the increasing need for water in people's daily livelihood, to perfect a unified management system of water resources, to promote planned and economical usage of water in order to make maximum use of the limited water resources.

At the symposium, many water conservation specialists and major water users submitted constructive views and opinions on Liaoning's proposed implementation of a water permit system. At present, the Liaoning Water Conservation Bureau and other concerned departments are conscientiously working out the details for carrying out the "Implementation Procedures for Water Permit System" issued by the State Council. Liaoning Water Conservation Bureau Vice Director Wang Jiancheng [3769 1696 2052] told reporters that Liaoning Province will begin to implement the water permit system early next year.

Effect of Price Mechanism on Grain Purchasing
 94CF0218B Guiyang GUIZHOU RIBAO in Chinese
 12 Oct 93 p 2

[Article by Lei Xiping (7191 3588 1627), Director of the Price Bureau, Autonomous Region: "Viewing Use of Price Mechanism From Angle of Grain Purchasing"]

[Text] The price mechanism is the most important market mechanism, or, to put it another way, it is the core mechanism; it may be compared to an "invisible hand" possessing magic power. Then, in the socialist market economy, how is the price mechanism to be correctly used? At Quanzhou County, Lingui County, Zhongshan County, Guijiang City, and Binyang County, we began to understand all sorts of questions concerning grain prices, and this understanding was very rewarding.

1. A contract without an agreement on specific prices is very difficult to implement.

In our survey we found that the Grain Bureau of Quanzhou County this year signed a contract with the grain department of a certain province for the purchase of 25 million kg of wheat, but in the contract no specific price was agreed upon. Afterward, the supply side, seeing that the source of goods was tight, set a price of 900 yuan per ton. The demand side maintained that in this locality wheat was sold at 840 yuan per ton, but, considering that the quality of this province's wheat was fairly good, it made a counteroffer of 860 yuan, which the other side firmly rejected. As a result, the deal fell through. It is said that the grain economic contracts signed by our autonomous region's grain department with peasants, and the grain economic contracts signed by producing areas with marketing areas, also do not have specific prices agreed upon. Contracts are important to a market economy, but prices are of interest, and without a contract on the price it is naturally difficult to honor the agreement.

2. Fulfillment of contract obligations mainly depends on price.

On what does the purchasing side depend to fulfill its obligations under a contract without an agreed specific price? Ideological education, organizational measures, and administrative methods are necessary and have an effect. As for legal measures such as notarization and the contract, will, of course, possess an extremely great binding force, but if the contract does not have a specific agreed price, the two sides will only agree on a time to consult on setting the price, and once the consultations fail, there is no breaking of the notarized contract! One year ramie was in great demand and its price in outside provinces was high. To prevent an outflow and ensure their own needs by forcing purchases at a low price, some places did not hesitate to send administrative law enforcers to block an outflow, but they could only block the main roads and could not block the mountain roads, could only block in the daytime and could not block in the nighttime, and could only block motor vehicles and could not block portable shoulder-borne transport. In the

purchasing of ginkgo, the situation was similar. Commodities go toward places where prices are high, just as water flows toward low-lying places. It is thus obvious that the fulfillment of the obligations of an economic contract mainly depend on economic measures, first of all, in economic measures there is a dependence on price.

3. Commodities on which prices have been released should be bought and sold in line with the market prices.

After commodities on which prices have been released are put on the market, they should be dependent on market prices. In the five counties (city) I went to, the purchasing prices of the grain departments (including the ex-value add-on price) in general was two to three yuan lower than the market prices and one to two yuan lower than the individual householder prices; some were even lower. Normally, the ex-value add-on price on the negotiated purchasing price should be in line with the market price. The ex-value add-on price is the price stipulated by the state when a purchasing contract places an order for grain or gives the peasant an award, and chemical fertilizer and diesel oil is charged to the difference between parity and the market price in the form of currency paid to the peasant at the time of the signing of the grain-purchasing economic contract. Our autonomous region stipulates that for every 50 kg of an economic contract the ex-value add-on price is 3.54 yuan, and it is given gratis by the central and local financial administrations and passes into the hands of the peasant through the purchase of grain. If it is lower than the market purchasing price, resistance to it will be difficult to avoid.

4. Form regular market prices through fair competition.

In line with market price exchange, regular market prices should be formed under conditions of fair competition, but currently there are distortions in the market prices. On the one hand, some individual grain operators, when selling purchased millet that had been processing into husked rice, give short weight, adulterate (i.e., mix late rice with early rice), or increase the water content. Therefore, if the state-owned grain departments purchases 35 kg of millet, the individual household pays out 36.5 yuan; when the grain department sits back and receives the grain, the individual household itself pays the transport fee to deliver the grain to the door. This unfair competition artificially raises the market's purchasing price. On the other hand, some localities have taken economic and administrative measures to limit the amount of grain coming in from other provinces and regions in order to control demand and stop prices from rising in conformity with economic law. This is also a form of unfair competition, and it artificially holds down the market's purchasing price. Therefore, we must strengthen the quality control of society's grain trade and curb improper competition, and we must also break through regional separation and protect proper competition in order to form regular market prices for grain.

5. What the producer wants is a price that actually can be taken in hand.

Even if the price is in line with the market, if there are various deductions will the price be all right? Certain

counties and townships have stipulated that when a peasant has an economic contract to sell grain to the state, 11 deductions must first be made from the money paid for the grain purchase: water fee, education add-on fee, health emergency fee, paddy field fee, public security fee, disease prevention fee, militia training fee, military martyrs and dependents fee, "five guarantees" living fee, "five guarantees" sympathy and solicitude fee, and aid to disabled fee. After the deductions are made on the money paid for the grain sold by households that sell fairly much grain, there is not much left; after the deductions are made for households that sell little grain, there is even nothing left or not enough left to cover the deductions. This price is just an "empty price": it can be seen but not obtained. To avoid this "chop," some peasants prefer to sell their grain to individual households.

6. Price rigidity.

Except for the natural fall back in price because of market changes, there is a rigidity to the profit on the price obtained by peasants from the sell of grain to the state. The abovementioned ex-value add-on price is based on calculating the difference in the first half of this year between the parity and the market price of chemical fertilizer and diesel oil, and the time for using the fertilizer is between March and April next year; if the price rises, it will be impossible to use this year's price difference to buy back an equivalent quantity of material objects, and the peasants worry that they will lose their profit. When the Grain Department of Miaoling township understood this situation, some peasants when delivering grain had strongly reacted to it. They demanded that when one party delivers grain the other party should give it money and a chemical fertilizer voucher, writing clearly on the voucher the variety, quantity, price, and purchase at the beginning of spring, all of which must be accurate.

7. A price that protects capital while obtaining profit is demanded by the law of value.

Protection of capital while obtaining a profit, i.e., a reasonable cost plus a suitable profit, is the monetary manifestation of value. In 1992 in our autonomous region, the average cost of production with tax of every 50 kg of early long-grain rice was 21.64 yuan, but this did not include all sorts of inappropriate expenditures by the peasants that were discovered in the survey, so it was an incomplete cost; even less was it the production cost for rice grown on low-grade land (unlike the value of industrial products, the value of agricultural products is decided by the average necessary time in society to produce on low-grade land). In our autonomous region this year, the protected price per 50 kg of early long-grain rice was 24 yuan, obviously on the low side. Actually, it is also difficult to say that the purchasing price protected capital while obtaining a profit. The producer demands that his capital be protected while obtaining a profit, and the operator, when selling his grain, should also protect his capital while obtaining a profit. If all sorts of limits are put on the operator's selling price, there cannot be a

situation in which "the boat goes up when the river rises"—particular things improve with the improvement of the general situation—and in this case purchasing will certainly be adversely affected.

8. Set up a price-regulating fund.

We must both follow the trade that is put on the market and protect capital while obtaining profit, but if there is a steep fall in the market price, one could get no profit and even lose one's capital, because cheap cereal crops hurt agriculture; if there is a sharp rise in the market price, the operator gets staggering profits, not just appropriate profits, and the people cannot bear the high price. This gives rise to the following questions: when there is a steep fall in the market price, how are the peasants to be compensated so that they protect their capital and obtain a profit? When the market price soars, how is it to be kept within a range in which the operator gets an appropriate profit and the people can bear it. Besides the necessary administrative measures, what is important is to set up and make use of a price-regulating fund.

Liaoning Official on Agricultural Tax
94CE0195A Shenyang LIAONING RIBAO
in Chinese 8 Nov 93 p 3

[Article by Liaoning Finance Department Vice Director Yu Jianxun (0060 1696 8113): "Answers Reporter's Questions Concerning Agricultural Taxes"]

[Excerpt] At present, Liaoning Province has entered the peak season for agricultural tax collection, this reporter therefore interviewed Liaoning Finance Department Vice Director Yu Jianxun on questions of concern to all cadres and masses in rural areas.

[Question] Director Yu, what kind of taxes are included in the so-called agricultural taxes?

[Answer] Agricultural taxes generally refer to farming tax, special product tax, contract tax and farmland user tax which finance departments at every level of government are responsible for collecting. [passage omitted]

[Question] Since it is a legitimate responsibility of peasants to pay agricultural taxes, is the burden of agricultural taxes in Liaoning considered to be heavy?

[Answer] In taxation, China adheres to the principle of "collecting taxes based on set rates, and reducing or waiving taxes according to law." On this basis, the government has carried out a taxation policy of "collecting only taxes which constitute reasonable and stable burdens." For many years, the agricultural tax burden in Liaoning has been very light; take the farming tax and special product tax as examples, at present the Liaoning's agricultural tax is still calculated on the basis of production quantity set in 1961, and the average tax for the whole province is only 82 kilo per mu which is far below the actual production level; in 1992, the Liaoning's average taxes per mu are: 3.85 yuan for dry field, 11.3 yuan for paddy field, 20.64 yuan for vegetables

field, and the actual tax burden is 3.3 percent, far below the nominal tax rate of 12.5 percent. This level of taxes is not only the lightest in historic terms, but also very much lower than the 12.2 percent actual tax level in the 1950-60s. The actual rate of special product tax in Liaoning is not even 4 percent, far below the 11 percent prescribed by government regulations as being a reasonable tax burden.

[Question] Since the actual burden of the special product tax is very low, why has the State Council decided this year to lower the tax rates on some of the products subject to the special product tax?

[Answer] The reason the State Council has decided to lower the tax rates on some special products represents a major policy decision to strengthen the work in rural areas and to provide overall stability to agricultural production. The policy has two major objectives: First, to close the gap between the nominal tax rate and the actual tax burden. Because the collection of special product taxes has run into rather serious problems of avoidance, cheating, under-reporting and falsifying or concealing the products, there are great discrepancies between the nominal tax rates and the actual taxes collected on some of the special products. For example, on apples, the government-set tax rate is 15 percent, but the actual tax paid nationally is only 7 percent; on prawns, the government-set rate is 10 percent, while the actual tax rate does not amount to 3 percent, and so on. Therefore, the government's main objective in lowering the tax rates on apples, aquatic products from rivers and lakes, logs, fruits and melons, etc., is to lower their nominal tax rates so they match more closely with the actual taxes collected. Second, to correct the imbalance of tax burdens and to mobilize enthusiasm for production not only among the large agricultural and special products production enterprises but also among the state-owned collective production organizations.

[Question] In addition to what you have described above, what are some other policies based on agricultural taxes that benefit the peasants?

[Answer] Our party and government have always looked after the benefits of the broad masses, and in agricultural taxes we have prescribed a series of beneficial policies; for example, rural households that owe more than 50 percent of taxes as a consequence of some disaster can apply for tax relief; households in dire poverty, households of military martyrs, and five-guarantee households can apply for tax waiver; households which use the area in front and back of their houses to grow various miscellaneous crops not for commercial sales can be exempted from the special product taxes; and peasants who build their homes on contract farmland can pay one-half of the farmland user tax, and so on.

[Question] According to current laws and regulations, what punishments are prescribed for evading, owing or delaying payment of taxes and actively resisting paying any taxes?

[Answer] According to the "Law on Management of Tax Collections in the People's Republic of China" and "Supplementary Regulations by the PRC National People's Congress Standing Committee on Punishments for Evading and Resisting Tax Collections," in addition to imposing a penalty of 2 percent per day on the amounts of taxes evaded, delayed, owed, or refused, the following punishments may be handed down.

1. Any taxpayer who evades taxes through fraud, fabrication and concealment, and the evaded amount exceeds 10 percent of the amount due or more than 10,000 yuan, or who still evaded taxes after given two administrative warnings by the revenue collecting unit, will be required to pay the evaded amount and in addition be punished by a prison sentence of three years or less and fined an amount not exceeding five times the amount of tax evaded. In the case of a taxpayer who evaded less than 10,000 yuan or the evaded amount evaded is less than 10 percent of the tax due, the revenue collection unit will be responsible for collecting the evaded amount and levying a fine not exceeding five times the amount of tax evaded.
2. The revenue collection unit will be responsible for collecting from any taxpayer who owes 10,000 yuan or more; for those owing less than 100,000 yuan, also levying a prison sentence not exceeding three years and a fine not exceeding five times the amount of tax owed; for those owing more than 100,000 yuan, also levying a prison terms of at least three but not exceeding seven years, and a fine equal to or less than five times the amount of tax owed; revenue collection unit will be responsible for collecting any amount owed under 10,000 yuan, and levying a fine not exceeding five times the amount of taxes owed.
3. Resisting collection of taxes is defined as refusal to pay tax by force or threat of force. In such cases, the revenue collection unit will be responsible for tracking down the delinquent taxpayer to collect the amount of tax due, levying a prison term of three years or less, and a fine equal to five times the amount of tax due; for the more serious cases, levying a prison term of more than three and under seven years, and a fine equal to five times the amount of tax due; for taxpayers who owe rather small amounts and who have not engaged in any criminal behaviors, the revenue collection unit will be responsible for collecting the amounts owed and imposing a fine equal to less than five times the amount of taxes owed.

Changing Family Value System Characterized

94CM0094A Shanghai SHEHUI [SOCIETY]
in Chinese No 105, Oct 93 pp 38-41

[Article by Bao Lei (0545 7191): "Changes in Current Outlook on Family Values"]

[Excerpts] [passage omitted] The phenomena of "losing sight" of family moral values and changes in family moral outlook are primarily expressed as follows:

First, it is reflected in the norms of marital relations, where the emotional content and spiritual and cultural content in marital relationships appear to be increasing, and more and more are becoming the leading factors in deciding whether or not to establish marital relations. But at present the majority of people still take a solid and stable marriage based on a partner who "has good moral character, is capable, is easy to get along with on a daily basis, and is able to remain devoted until the end" as the ideal; at the same time, a utilitarian marriage involving grovelling for money is looked at as sacrificing the happiness of the parties to the marriage, while feudal marriages in which an individual's humanity is destroyed to further family interests is looked on as having a tendency to raise eyebrows, through such methods as having repeated marriages and accepting mistresses, transnational marriages, arranged and mercenary marriages and abduction and selling of women; in terms of marriage choices, people have even more "individual freedoms," and the society has gradually adopted a more understanding attitude towards varied marital choices, while "freedom of divorce" is becoming a reality.

[passage omitted] Second, it is reflected in the norms of the relations between the two sexes, where the new concept sees a sincere, equal, happy, and harmonious sexual life between husband and wife as increasing the affection between a man and woman and strengthening the biological and physiological basis of marital relations, sexual scientific knowledge has gone from being shackled to being widely disseminated, and the quality of sexual life between men and women has been increased; consciousness of female sexual rights has gradually been awakened; the sexual rights of the elderly have achieved a certain degree of respect, and the need for love of those bereft of a spouse in later years is gradually receiving the understanding of children and support from public opinion; the serious effect of the feudal concept of chastity is weakening, and when it comes to female victims of rape and women who have made sexually-related mistakes, people are gradually changing to be more tolerant and helpful. People are also gradually adopting a tolerant attitude towards premarital sexual activity and extra-marital sexual activity; at the same time, for business and educational circles, the Western trends towards "sexual revolution," and sexual liberation," have had an effect that cannot be underrated on the younger generation, and have to a certain degree rocked the existing marital family system. Such phenomena as living together, trial marriages, third participants, and pregnancies outside of marriage are occurring; and there has been a resurgence of prostitution,

which has been stamped out after the founding of New China. The phenomenon has day by day gotten more serious and more open, venereal disease is spreading, while cases of people with AIDS and people carrying the HIV virus are appearing on the mainland.

[passage omitted] Third, it is reflected in the norms for relations between husband and wife, and relations between husband and wife with an equality based on a cooperative division of labor are gradually coming to the fore; however, in large numbers of worker families from rural and township enterprises, relations between husband and wife characterized by the not fully equal equation "the man rules outside, the woman rules inside" still exists to a large degree; among the group of newly rich people, there exists a "rich ladies social stratum" in which the wife or mistress is totally dependent on the husband, while in some poor regions, through various types of buying and selling of marriages or abductions, the wife becomes the husband's "child bearing tool" and "family slave," and loses her personal freedom.

Fourth, it is reflected in the norms of intergenerational relations. Equal and democratic intergenerational relations are gradually replacing the feudal patriarchal relationships between principal and subordinate, and for parents and children, senior family members and the younger generation, a good deal of the familial ties and bonds are democratic and equal relations of mutual respect, mutual love and mutual assistance based on respect for individual autonomy, and with a general trend towards independence of the branches of the household of the children's generation and the parents' household, and various types of independent relations between the children's household and the parents' household, creating various "family networks" encompassing the children's household and the parents' household, and a trend towards simplification of household structure, and household relations; an increase in the number of nuclear households; however, the influence of the feudal patriarchal family system still exists, and in recent years feudal patriarchal clan strength has reared its head; in a relatively large number of independent children's households, the "disease of thorough spoiling," that is, taking the grandchild as the center of all things, has fostered a situation where only sons and daughters occupy a paramount and lofty special position within the family, so much so that the phenomenon of prolonged childhood has emerged; after children reach adulthood, they are unwilling to support themselves, and still rely on their parents to provide them shelter, find them jobs, handle marriage matters, raise grandchildren, and in rural areas the phenomenon of children's household reliance on, and expropriation of parents' households exists to a large extent; some senior citizens, particularly rural elderly people, have been ill-treated by children, and children are unwilling to take care of the old. That a "white hair wave" will soon break on China's shores is a serious problem that China must focus on.

Performance Report on F-8 II

94CM0095A Beijing XIANDAI BINGQI [MODERN WEAPONRY] in Chinese No 10, 8 Oct 93 pp 2-4

[Article by Zhang Yongqian (1728 3057 6197): "Brief Look at China's Fighter Aircraft Development Level"]

[Excerpts] From the founding of the Republic to the present time, the development of China's fighter aircraft has gone through two stages: From importation and copying to indigenous design and manufacture, from low grade to high grade. At the present time, there are over 3,000 fighter aircraft in China's various military services, placing it third in the world. At the end of the 1970's, China was successful in designing and manufacturing the Jian-8 fighter. At the present time, China has already armed itself with the third generation fighter, the Jian-8 II and has the fourth generation in development and it should be in service before the year 2000. [passage omitted]

Analysis of Fighter Capabilities

Engine China's advanced fighter aircraft, the Jian-8 II, employs two WP-13A [Turbojet-13A] engines, each developing only 6600 kg of thrust with afterburner: This is the Jian-8 II's greatest innate inadequacy. In comparison, the Mig-29M's RD-33K engine develops 8820 kg of thrust on afterburner, so obviously the RD-33K engine is more advanced. Total thrust for the Jian-8 II's two WP-13A engines is 13,200 kg, with a thrust-weight ratio of 0.95, while the Mig-29M's two RD-33K engines have a total thrust of 17,640 kg, and a thrust-weight ratio of 1.1. We can thus see, in comparing the thrust-weight ratios of the two aircraft, the Mig-29M is obviously superior. The thrust-weight ratio is a reflection of an aircraft's maneuverability and climbing characteristics. This is one of the deficiencies of the Chinese fighter.

Aerodynamic Configuration Foreign fighters change their aerodynamic configurations about once every ten years. For example: In the 1940's we had the swept-wing aircraft, in the 50's the delta wing, in the 60's the variable swept wing, in the 70's the tapered wing [bian-tiao yi 6708 2742 5065], in the 80's the canard wing, and in the 90's the composite wing. In the process of developing the Jian-8 II, the Chinese quite possibly studied aerodynamic configurations of the Mig-21, the Su-15, the Mig-23 and the F-4. They eventually chose the delta wing. The reasons for making this choice were:

1. China's manufacturing technology was exceedingly backward; their stock of relevant technology was obviously inadequate, and this had a direct impact on model development.
2. China's research and development of a fighter grew out of their self-defense requirements, which mainly emphasized intercept capabilities, with relatively stringent requirements for high altitude and high speed capabilities, and the delta wing can fulfill these design requirements.

Actually, the delta wing has some unique advantages: Air resistance at high speeds is low, there is plenty of open space inside the wing structure, it is light weight, it has good rigidity, and it is not prone to vibrations in a high angle of incidence attitude. However, the delta wing also has some obvious drawbacks. For instance, its aspect ratio is small, and at subsonic speeds it can induce increased drag; the surface area of the wing is great, which also increases friction drag; when operating the elevons there is a relatively great loss of lift. In addition, in powered flight, the detached vortex which is depended on for increased lift can cause a certain amount of resistance. Also, because the delta wing is thin as well as swept back, lift is slow to alter with changes in the angle of attack, and for this reason, in order to produce the greatest lift, the required angle of incidence is rather great, and this affects the pilot's field of vision, especially on landing approach, when one can be constrained by altitude limitations: In this instance, the lift required has to be obtained from increases in velocity. All of these can degrade its maneuverability in subsonic patrols and at low and medium altitudes and take-off and landing characteristics. This is why, in the 1970s when air combat was emphasized, foreign fighters seldom used a pure delta wing. The United States and the former Soviet Union both employed tapered wings, and only France and China chose to use the delta. On the Mirage 2000, France used fly by wire technology which, to a certain extent, compensated for the delta wing's deficiencies. But China's Jian-8 II, despite not employing the electrical relay controls, improved its characteristics by using coupled take-off and landing ailerons which can be shifted forward and automatically correct the curvature of the wing during air combat or take-off and landing. In sum, the supersonic characteristics of the Jian-8 II are superior to those of the Mirage 2000 and the F-16A, and, in fact, in turning capability it surpasses the Mirage 2000-5. However, at subsonic speeds it does not equal either the Mirage 2000 or the F-16A.

Maneuverability If we say that by and large China's aircraft can compare with the U.S.'s and the former Soviet Union's aircraft in maximum speed level flight and service ceiling, then the deficiencies in maneuverability which directly affect combat effectiveness are rather obvious. For instance, the maximum rate of climb for the Jian-8 II, Mirage 2000-5, F-16C and the Mig-29M are, respectively, 250 ms [meters per second], 305 ms, 360 ms, and 368 ms; the smallest turn radii are respectively: 800 m, 950 m, 610 m, and 400 m; acceleration from Mach 0.8 to Mach 1.2 respectively: and 25, 22, 18 and 15 seconds. In regard to maximum service overload, for the Jian-8 II it is 9 g, for the Mirage 2000-5 it is 9 g, for the F-16C it is 9 g and for the Mig-29M it is 12 g. Thus, if the Jian-8 II would rely solely upon flight characteristics in combat with these aircraft, the probability of success would be rather low. One of the main reasons for creating a Chinese fighter aircraft with rather weak characteristics was because its thrust to weight ratio was so low. The Jian-8 II's thrust to weight ratio is only 0.95, while for the Mirage 2000-5 it is 0.97, for the

F-16C it is 1 to 1.1, and for the Mig-29M it is 1.1—all of these are superior to the Jian-8 II.

On Board Firepower and Control Systems Navigational and on-board electronic equipment have always been a weak point for China. Although the Jian-8 II's radar employs a pulse Doppler system and has look-down shoot-down capabilities; it is, after all, only 1970's technology. Today, advanced foreign fighter aircraft, such as the Russian Mig-31 and the Su-35, employ multi-function phased array radar. Besides this, there are other advanced foreign fighters, such as the Mig-29M, the Mig-31M, the F-15E, the F-16C and the Mirage 2000-5 which have forward-looking infrared detectors, laser-spotting tracking equipment and other supplementary search equipment. Some aircraft, such as the Mig-29M, use target search instruments connected with a helmet mounted aiming device. In summation, in the realm of firepower and control systems, the Chinese fighters are lagging some 15 years behind advanced foreign levels.

Combat weapons Chinese fighter aircraft generally carry aircraft cannons and their short-range firepower is relatively powerful. However, relatively speaking, their armament is somewhat weaker than comparable foreign aircraft. The Jian-8 II can carry only 4 to 6 AAM (air to air guided missiles), (2 medium range, 4 short range), and has a maximum external load rating of 4,500 kg. The Mig-29M, on the other hand, can carry 6-8 AAM (4 each medium and short range) and its maximum external load is 6,000 kg. Because the accuracy and range of China's AAM is somewhat less than that of the foreign counterparts, so they greatly emphasize maximum firepower in each missile launch. However, as the technical level of China's air to air missiles improves, their size and weight will gradually be reduced and their destructive force will be enhanced.

Summation of Experience, Flying Into the Future

Summing up what has been said, the technological level, combat capability, on-board equipment and weapon systems are some 10 years behind the United States and Russia. There are many reasons for this, the main reasons being:

Weak technological base, development time too long The development time for the Jian-8 fighter was almost 15 years.

Technical equipment lacking Key aircraft technology is not the product of basic research but is tested and proven in the air. The United States carried out a great deal of basic research during the 1950s and 1960s, insuring that there was an ample store of technology to support the development of the F-15 and F-16. In their aircraft development work, the former Soviet Union met some of the same problems China met, but they quickly compensated for them and were able to develop the Mig-29 and the Su-27 fighters.

Engine and onboard equipment development has not advanced, thus the development of the model and major components is uncoordinated.

One thing that should be noted is that since the 1980's China has intensified the search for and research of new technologies so that China's fighters of the 1990s can attain a higher level, and an excellent base is established for further development in the 21st century.

Problems in Public Security Secrecy Work

Vice Minister on Policy

94CM0043A Beijing RENMIN GONGAN BAO
[PEOPLE'S PUBLIC SECURITY] in Chinese
18 Sep 93 p 3

[Article by Tian Qiyu (3944 2601 3768), vice minister of public security: "Strengthen Public Security Secrecy Work During the New Era"]

[Text] On 5 September, the fifth anniversary of the promulgation of the PRC Law Governing Safeguarding of State Secrets, Comrades Jiang Zemin and Li Peng composed the respective dedications "Carry On and Elaborate the Party's Fine Tradition and Strengthen Secrecy Work During the New Era" and "Serve Economic Development by Strictly Enforcing Laws and Regulations on Secrecy," and Comrade Ren Jianxin [0117 1696 2450] added "Strengthen Awareness of the Need for Secrecy and Conduct This Work Properly." These inscriptions demonstrate the great emphasis leading comrades of the party Central Committee and the State Council place on secrecy work during the new era of reform and opening up, chart the tasks and direction of this work for our near future, reflect the earnest hopes those comrades place in cadres involved in secrecy work and in public security personnel, and will provide tremendous impetus to this work during the new era.

Secrecy Work Has Always Formed an Important Component of Public Security Work

Secrecy work has always been important to the entire party. As early as the revolutionary war, Mao Zedong, Zhou Enlai, and other leaders of that era repeatedly emphasized the importance of strictly safeguarding secrets. Comrade Mao in 1941 dedicated the inscription "One Can Never Be Too Careful in Protecting Party Secrets" for the Confidential Affairs Office of the Military Commission and reiterated at a meeting of the Politburo just after Liberation: "We must be extremely attentive to secrecy work; 95 or even 99 percent will not do; we must be 100 percent." On 14 July 1950 Comrade Deng Xiaoping stated in a preface to the inaugural issue of JIYAO GONGZUO [CONFIDENTIAL WORK]—an armed forces publication: "The situation today is even more complicated than before, and protecting our party's secrets is even more important now than at any time in the past." The victory of the revolution is liable to make us careless and lower our guard, giving the enemy opportunity to exploit us. This warrants vigilance by all responsible comrades and cadres engaged in sensitive work.

Public security organs are vital components of party and state, so secrecy is especially important for them. From

the outset, we established a strict system and discipline for and viewed secrecy as the key to and lifeblood of national security work and vital to the fate of the party and the revolutionary regime. Following the founding of the PRC, party and state leaders continued to attach great importance to secrecy and continually instructed us to stress this in public security work. With everyone's political vigilance so high, we developed the habit of consciously protecting secrets and good practice in this work. In 1958 we incorporated this issue into the Eight Great Disciplines for and Ten Points Requiring Attention by public security personnel. Public security organs' fine tradition of keeping secrets played an important role in ensuring smooth implementation of public security work and in winning victory for the revolution.

The New Situation Created by Reform, Opening Up Presents New Needs Regarding Secrecy in Public Security Work

After the 3d Plenum of the 11th Central Committee, a strategic shift occurred in the focus of the entire party's work, and seizing the moment to accelerate China's socialist modernization became the party's overriding task. The new situation created by reform, opening up, and the establishment of a socialist market economy created new and even greater requirements regarding secrecy in public security work.

First, there has been readjustment in the guiding ideology thereof. In the decades preceding the plenum, "class struggle" was the guiding principle for all our effort, and secrecy work inclined toward mysticism and conservatism, which developments were concretely manifested in the tendencies to broaden the scope of secrecy, raising its degree, making it perpetual, and so on. This shackled people's thinking, exchange and dissemination of advanced science and technology, and improvement in productivity. Today secrecy work must pursue economic development and make the "three facilitations" its criteria.

Second, there has been major change in the environment surrounding secrecy work. China's external contacts have expanded greatly since reform and opening up began. The figure for exits and entries alone shows how widely our door has opened, as the figure rose nearly ten-fold between 1979 and 1992. Domestically, while pursuing development rooted in public ownership, we allowed all sorts of wholly foreign-owned enterprises, joint ventures, and foreign capitalized firms to burgeon, change has occurred in the operational mechanisms of state enterprises, and economic entities of all stripes have mushroomed. After peasants undertook responsibility contracting, surplus labor flooded cities and formed the bulk of the floating population, which, according to statistics, has reached 50 million nationally. Literary and artistic output is booming as "a hundred flowers blossom and a hundred schools of thought contend": Registered publications alone number over 1,000

nationally. Thus the environment secrecy work confronts is much more complicated than it was before reform and opening up began, and this makes the work more difficult.

Third, change has occurred in the administrative mechanism for secrecy work. Public security organs used to be responsible for handling most routine secrecy work throughout the country. Once the State Secrecy Bureau was established, that agency assumed charge of the work and has discharged the functions accorded it by law, subject to unified guidance provided by the Central Secrecy Commission. In the areas of preventing, investigating, and handling leaks and in combatting theft of state secrets, various administrative, legal, and other related agencies perform their respective duties in cooperation with the bureau and each other. Thus a new administrative mechanism for secrecy work has begun to emerge.

Fourth, there has been change in the focus of this work. With the conclusion of the cold war, the prolonged stress on stealing military secrets began to change; more and more countries now recognize that science and technology form the most important productive force; and intelligence agencies in various countries, especially Western industrialized ones, have begun to emphasize collection and theft of economic, scientific, technological, and trade intelligence. To respond to the international situation and struggle, departments engaged in secrecy work must make appropriate readjustments in their thinking, work assignments, organizational structures, and staffing, and place greater emphasis on economics, science, and technology.

Fifth, there has been marked change in the way in which secrecy work is conducted. On 5 September 1988 China promulgated her first relatively complete law on secrecy, the PRC Law Governing Safeguarding of State Secrets, development of which signified that her secrecy work had reached a new stage in which that effort is conducted according to law. The Enforcement Regulations for that law were issued a year later, and another 10-odd supplementary measures have since followed, thereby progressively completing legislation on secrecy and enabling all such work to be conducted in accordance with law.

Public Security Organs Must Continue To Serve as Exemplars of Strict Safeguarding of State Secrets

Our ability to carry on and enhance the party's fine tradition and to strengthen secrecy work during this new era will affect overall performance in reform, opening up, and the four modernizations. Public security organs, the mainstay of the people's democratic dictatorship, and the people's police, staunch defenders of the party and state, play roles in the protection of state secrets that no other agencies or individuals can match. Thus, conscientious emulation of the dedications presented by Jiang Zemin and Li Peng and further strengthening of secrecy work are important tasks for public security

organs and personnel at all levels and will enable this effort better to serve maintenance of social order and economic development.

We must conscientiously summarize and carry forward public security organs' fine tradition of strictly protecting state secrets; perfect the legal system for this work; stop all leaks; maintain appropriate vigilance in external relations; make combatting theft of secrets an important component of crime fighting; closely cooperate with state agencies administering secrecy work, national security organs, and other related departments; and conscientiously protect state secrets.

We must constantly study and strictly enforce all laws and regulations concerning secrecy. It is especially important that we go down and initiate study and enforcement of the Secrecy Law and its Enforcement Regulations among public security personnel so that they learn the basic provisions of these important pieces of legislation and act in strict accordance with law; that we overcome arbitrariness and old habit in secrecy work; and that we strive to ensure that in this work we have laws to follow, abide by those laws, enforce them strictly, and punish violations thereof so that this work is conducted in legalized fashion and public security organs continue to serve as exemplary protectors of state secrets.

Theft, Leaks Outlined

94CM0043B Beijing RENMIN GONGAN BAO
in Chinese 18 Sep 93 p 3

[Article by Ji Kun (0370 2492): "A cursory examination of leaks of secrets by public security organs"]

[Text] Over the past several years, public security organs across the country have conscientiously studied and implemented laws and regulations governing secrecy work; recognition of the need for secrecy among the broad masses of public security personnel has steadily improved; and these organs and personnel have aggressively combated theft of state secrets, cracked many cases of theft or leaks, and effectively safeguarded the security of state secrets. Nonetheless, we have yet to eradicate leaks within public security organs or related to their operations, and problems in other areas remain severe. From the incomplete information available, we can roughly group these problems into five categories.

The first involves intentionally giving criminals secret information about public security work, including divulging plans of action, means of gathering intelligence, clues, evidence, and the identities of informants and witnesses. These crimes directly undermine the very purpose of public security organs and some even endanger informants. In July 1990, Li Rujie [2621 3067 4634], secretarial section chief of the Shangli Precinct of Pingxiang, Jiangxi gave a letter sent in by Liu Kun [2692 0981], a driver for a certain company, detailing crimes committed by the head of that company to that same head. The informant was murdered early the following December by someone hired for big money by that very

head. This sort of leak typifies the exchange of authority for money and collusion between isolated crooks within public security ranks and criminals in society and is a manifestation of public security corruption.

The second category entails leaks resulting from disappearance or loss of secret documents or goods due to improper handling. This leakage occurs most often in leadership organs at various levels, especially in document use and in administrative departments. Failure strictly to follow registration procedures and handling rules causes documents to get lost during transmission, makes it hard to determine the principal perpetrators or nature of leakage, and the ramifications rarely appear in the short term. The operations office of a certain city's public security department discovered during inventory early this year that two sets of fairly highly classified documents had vanished. Since they had gone out long before and the checkout procedures were sloppy, the people responsible could not recall where the documents went, so the case remains unsolved. This kind of leak demonstrates that problems exist in the way public security organs handle their documents.

The third category is leaks occurring in radio communications. Because some public security cadres and police lack common sense when it comes to maintaining secrecy or familiarity with communications equipment, confusion of open and secret communications and exchange of unencrypted secret information in wired and wireless communications occur frequently, such that transmissions containing state secrets are sent openly and thus are easy for crooks or external intelligence agencies to intercept, thereby seriously threatening the security of state secrets, including codes. In February 1992, a border guard operator repeatedly transmitted unencrypted the contents of secret documents over shortwave radio, resulting in interception thereof. A certain city's traffic control department openly radioed deployment orders for a vehicle inspection operation that were overheard by a trucking firm, thereby affecting the success of the effort.

Fourth are publication leaks. This most often occurs in public reports or news accounts of successful criminal investigations and in instructional, scientific, and technological works. The vast majority of these leaks occur because the people who commit them do not understand what constitutes a state secret in public security work and or stem from absence of strict clearance procedures. Then there is that extremely rare individual who, for fame and fortune, deliberately evades review by appropriate agencies and publishes materials involving secrets without authorization. A public security academy openly issued instructional materials compiled for internal use only that contained data relating to secret party work during the revolutionary war and to public security work after the founding of the PRC. Although remedy was immediately effected, some of the materials had been sold to the public, with some ending up abroad and irretrievable. Publication leaks are serious due to breadth of dissemination, inability to determine where

the leaked information destines, and the frequent tendency of ignorant news media to pass the information on. Therefore, the serious threat posed by this kind of leak cannot be underestimated.

The fifth category involves leaks occurring from office automation equipment, including copying machines, typewriters, and personal computers. Owing to a lack of strict control systems or to failure to enforce such,

copying machine use is unrestricted in many units, so people reproduce things at will. Some personal computers holding sensitive information lack security measures, diskettes and ribbons are deposited or disposed of indiscriminately, and so on. While public security organs have yet to discover a single instance in which such situations have led to leaks of secrets, potential peril remains, trouble could occur at any time, so careful attention is warranted.

General Chiang Wei-kuo Interviewed on Reunification

94CM0061A Hong Kong PAI-HSING HSIN-WEN
CHOU-K'AN [PAISHING NEWSWEEK] in Chinese
No 29, 21 Oct 93 pp 52-53

[Excerpts from article by Lu Keng (7120 6972): "General Chiang Wei-kuo Discusses Bicoastal Relations"]

[Text] General Chiang Wei-kuo was on his way to the United States to visit the 92-year-old Madame Chiang Kai-shek when he made a short three-day stop in San Francisco on 1-4 October. [passage omitted]

During those three days, he attended two public meetings and was specially interviewed by reporters on two occasions. During the interviews, he maintained his characteristic style—very open and sincere. What was different this time from past encounters was his carefully crafted comments—no speech that would hurt others, and few or no argumentative remarks. Even so, he still met some difficulties.

The "Open Window Discussion" sponsored by the Overseas Chinese Hsing-Chung Hui of San Francisco was attended by more than 400 persons. When Wei-kuo arrived at the door, someone stealthily requested him to "talk a little more about Taiwan." As 90 percent of those attending the meeting were from Taiwan, most being retired officials and their families, their concern for Taiwan was quite understandable. However, in his talk, Wei-kuo not only did not say much about Taiwan, he said very little. He set aside the political strife on the island, and focused instead on bicoastal relations, a topic of much greater import—"divided for too long, we must come together; together for too long, separation must occur."

Someone asked: "There is a certain opinion afoot in Taiwan at present which says there is 'no hurry for unification, nor any hurry for independence.' This seems to be quite a fair remark. We understand there is no urgency for unification, but does no urgency for independence mean a slow evolution toward independence?"

Wei-kuo replied: "Of course unification is not easy, and it needs to evolve slowly. But it should not be slower than independence." This answer again demonstrated his witty use of language which won warm applause from the audience.

General Chiang Wei-kuo's widely acclaimed book "Reunification of China," published in Chinese and English, has received the attention of authorities on both sides of the Taiwan Straits. In his book, he proposed three common denominators or points of understanding:

1) We are all Chinese, so we only need one China. Since we need only one China, all who do not admit themselves as being Chinese, and want to partition up our territorial sovereignty become our common enemy.

2) All Chinese must be able to have a good life, or at least, the opportunity to have a good life. All thinking, theories, systems, and laws that prevent people from enjoying a good life must be overthrown (by us).

3) We must respond to an ideal new China, one that will be respected by the international community. Toward this end, we must cooperate to become strong, to be able to carry out our international obligations.

When HSIN-TAO JIH-PAO reporter Li Ge [6849 2047] interviewed Chiang Wei-kuo, I was only a bystander who noted Wei-kuo's careful answers. Li Ge used the Palestinian-Israeli peace talks as an example and asked: "Isn't Taiwan's refusal to discuss matters an unreasonable act?" Wei-kuo's reply was: "I had proposed three common points of understanding. If we truly have these three common denominators, discussions will not be necessary, for all we need will be working units to carry out the work. On the other hand, if there are no common understandings, what is there to discuss? As for the three denominators that I have proposed, the other side has recognized all of them, but I have not heard a sound from the Taiwan side."

That very clearly illustrates the absence of a common understanding between both sides of the Taiwan Straits. The Kuomintang authorities have shown no response whatsoever to Wei-kuo's three common points of understanding.

However, CH'IAO PAO, an overseas Chinese newspaper with a Communist Chinese background published in the United States, reported on the interview with General Chiang in its 4 October issue. It had questioned the points of common understanding between both sides of the Taiwan Straits; but at the same time, Wei-kuo expressed approval of Deng Xiaoping's "Socialism With Chinese Characteristics," because it agreed with one of Sun Yat-sen's "Three Principles of the People," the one promoting the people's livelihood. This view evoked criticism by certain quarters on Taiwan. I surmise that the CH'IAO PAO reporter mis-stated what he had heard to create this problem for Wei-kuo. For a similar problem can be answered in two ways after a lapse of a day.

In San Francisco, whether in public or in individual interviews, people have asked: "What are your views, General Chiang, on the CPC's (Communist Party of China) refusal to abandon force with respect to Taiwan?" His answer has been: "The CPC considers itself the central government and will not agree to any territory being separated from it, for the function and responsibility of the central government is to preserve the sovereignty of its territorial integrity. Under this premise, how can it say it will abandon force? Mainland China has four approaches to this unification problem: political, economic, psychological, and military. When the first three approaches are not effective, can you allow that it will not use the military one? These four

approaches make a complete whole. To begin with the military approach is not appropriate. It does not matter who wins or loses, it is not good for the country."

In discussing the use of military force, it is only natural that Wei-kuo understands the brutality and danger of war. This is fully reflected in his interview with Li Ge. Even this writer who has no military experience fully appreciates this.

The young reporter Li Ge is a product of Beijing's Institute of Journalism. His father, now retired, had participated in many battles against the Nationalists in the Shenyang Liaoning region in earlier days. When he heard that his son was going to interview General Chiang Wei-kuo, he asked him to extend his greetings and bring up a question that many people are concerned about—will his generation ever see the day of unification?

Wei-kuo replied: "Absolutely possible, for everything is in an idea. Conflict or war appears suddenly. So does peace. We just wish that the politicians are smart enough not to make those of us in the military to suffer some more. We are some of the best citizens. The selfishness of the politicians creates difficulties for the military who have no choice. There are none who love peace, await the nation's dignity, and care about the well-being of the people more than those in military service. A government that can accomplish this is a good government, regardless of its color." [passage omitted]

DPP Chairman Hsu Interviewed on Self-Perception

94CM0044A Taipei TIEN-HSIA [COMMONWEALTH] in Chinese No 149, 1 Oct 93 pp 61-66

[Article by Yang I-li (2799 5337 0196) and Li Ming-hsuan (2621 2494 6513): "Hsu Hsin-liang: I Care Only About Myself, and About [My] Place In History..."]

[Excerpt] *Question:* You have seen many politicians. What is it that politicians are seeking? What kind of politician are you?

Answer: Politicians may be divided into two types: One type enjoys power, the other seeks satisfaction in the realization of self. From childhood, I have aspired to be an historic figure, and I have always said that if I only knew while alive that my name would go down in history, I would be very happy indeed! This is the meaning of life that is more important than anything else.

A man who enjoys power must attend to things personally, but I don't attend to everything personally, and I don't get myself involved in everything. In fact, I am too impatient to be a very good administrator; I am not good at coordinating, compromising, and I hate details. I see power as a tool to help realize a sense of self. To realize my sense of self, I don't mind hard work and sacrifice at all.

That is the exact opposite of those who enjoy power, for they like to attend to things themselves with their power; a very good example is that of the first emperor of the

Ch'in: He studied official documents till all hours of the night, personally got involved in all things, and had to make every decision.

Question: Which type of politician do you think fit Mao Tse-tung, and do you admire him? What kind of politicians do you most admire?

Answer: Mao was between the two types; he enjoyed power so much that he could not face the fact of being deprived of it; that was Mao in his old age.

I greatly admire de Gaulle, he is the politician I most respect and admire. He was a war hero in World War II, and occupied a position none would dare challenge; yet, when he found he could not do anything useful, he resigned and retired to the countryside for 12 years. Was there any opportunity for him to stage a comeback? The political situation at the time appeared to rule that out. However, when the French military supported de Gaulle's return to deal with the Algerian revolt, the first thing he did upon assumption of power was to announce that France would let Algeria go through direct negotiations. This truly was something that not anyone could accomplish.

When de Gaulle returned to power, he ameliorated the historical animosity between France and Germany, promoted the European common market, made future plans not only for France but also for Europe and established a foundation for the continuing future development of Europe; that was true leadership. In 1968, with France paralyzed by a series of national demonstrations and strikes, he went on television and in a short statement announced that general elections would be held within a month, and that immediately put an end to all demonstrations; this grave crisis was resolved by his one television address. The elections resulted in a major victory for de Gaulle, but despite the victory he made plans to step down for he knew that his era was ending. Issues of administrative reform and the student had to be addressed, but these trifling matters did not interest de Gaulle and he passed them on to others to deal with.

At the time I was in England; the democratic politics of England was also of the traditional, old-line type, and their legislators had first class educational background, oratory skills and training, but they were no match for de Gaulle when it came to handling major issues from a broad perspective.

Question: What kind of historical figure do you want to be?

Answer: There is no need to talk about that now, for it's too early to do so. I consider life like painting a picture, one naturally knows what one wants to paint when one picks up a brush. De Gaulle certainly knew [his objectives of] European unity and a strong France before he proceeded to work toward those ends. But what about opportunities? These are the external conditions. Whether one has an opportunity depends on the kind of environment in which one finds himself. When I was young, I was very pessimistic, moody and depressed,

thinking that I would not have an opportunity in my lifetime. Taiwan is too small a place, and even if one had talent and ability, one could hardly influence the world [from Taiwan]; I felt I was born into the wrong era. But now I no longer think this way; it is very clear to me that a politician does have enough room to exercise power.

Question: How do you see Taiwan today?

Answer: So long as I live, it is quite possible that Taiwan will develop world-class influence; there is no doubt, the question is only what one does to bring that about. The space Taiwan occupies is really not that small, therefore a Taiwan leader should allow Taiwan to develop its world-class influence in the same way as de Gaulle deliberated on how to establish a strong and powerful France and launch a new European era in the midst of turmoil and instability.

Question: How many years will it take to influence the whole world?

Answer: I have just said, if I were the president now, I would immediately proceed to create that kind of era. Frankly speaking, if I had the opportunity to be Taiwan's leader today, I would not waste one minute or one second. Only a person without ability would waste any time, and if at this point in life I don't know what should be done, I would be in a total mess!

Question: How do you see the Party Program on Taiwan Independence? Is it a reflection of the anti-Kuomintang [KMT] sentiments or is it a national goal? If the DPP came to power, would it change the national flag or the country's name?

Answer: Objectively speaking, Taiwan is an independent country; I hope we ourselves at least recognize that fact, but as to how foreigners see it, it becomes a question of tactics. Taiwan was originally an independent sovereign country, and all we did was to announce that fact. Now you ask whether the country's name and flag should be changed, actually these are small matters, and questions of tactics are also small matters. If China is displeased, are we not supposed to do anything? Why do we say we must make changes? Are we supposed to wait for the day when China does not care before we make any changes? Naturally we hope to make changes, but if changing the country's name would create great difficulties, then we can wait a while; as the Chinese Communists themselves often say, we too can wait 60 years. Waiting a while is not a difficult thing to do.

Question: In the course of the opposition movement, when the Chung-li incident or the Mei-li Island incident occurred, you happened to be away. Did you anticipate these things and therefore leave [Taiwan]?

Answer: In the Chung-li Incident, what could I have done if I were here, participate in the demonstrations? Direct the demonstrations? That is really laughable. Frankly speaking, the historical meaning of the Chung-li incident is the use of people's power to block the fabrication of ballots. If you expect me to oppose the

Chung-li incident, that would be impossible. Undoubtedly, I had a share of the responsibility in that incident! No, not responsibility, it was my pleasure to see these type of things happen, where people use their power to oppose the [opposition's] brute force in the elections. If the elections could be held with fabricated ballots, the elections would be fraudulent. Under such circumstances, you cannot expect me to be in control, that cannot be done; but to turn that around, if you expect me to carry on further agitation at the scene, that also would not be right, would it?

I was not present when the Mei-li Island incident occurred, because no one knew it was going to happen; and if no one expected it, how could I have been present? I left Taiwan two months before the incident, and I did not leave with the expectation that it would take place.

As to the charge that I have paid too small a price, that naturally is difficult to refute. I have not spent time in prison, and did not seriously consider serving any prison sentence. But perhaps I should say I did not avoid prison, nor was I afraid of it. Is any further explanation necessary for what I have done in my life so far? Are there disasters more unpredictable than the Chung-li incident? I would not say however that I dare not take a stand for fear of this type of disaster.

Question: Have you assessed the situation to determine how it can be used to your advantage?

Answer: For one engaged in politics, one naturally makes his moves in the context of major trends. It's true I threw myself into one such major trend. When I returned in 1986, I brought with me the pressure to organize a party along with homecoming. I turned homecoming into a major movement which was likely to succeed objectively speaking. However, if other people insisted on twisting the facts, no matter how you explain them, it would be to no avail; if you have accomplished nothing in life, people would certainly not talk about you, but if you aim to achieve great things, why should you care what others say about you?

For example, up to this point of my life, I can say I am [speaking in English]: *Very proud of myself*. In all my life, my goal is like de Gaulle's; in painting a picture of my life, I am an idealist in search of ideals in life. I am perhaps too self-confident, and therefore do not let small matters bother me; when other people vilify me over small matters, I care not at all. We all know what is beauty; like a great painter, one knows what and how to paint, and one would not bother about or argue over trifles. I have often said that I am not a person concerned with the superficial, but where it concerns the ultimate gains and losses in life, I do indeed care; my hope is to become a person with a place in history and I care about the major achievements in my life but not all the minor, superficial things.

The biggest difference between me and others is that I am not concerned about details. Frankly, I don't care at all to be on the banquet circuit. I am like that: Other people consider this business [of banqueting] to be

indispensable, but I don't care about it at all! I don't care about society's reaction, I do care about myself, [my place] in history and whether I can accomplish [my] great historic mission.

Question: You said you are not a particularly good administrator, but whether as Governor or President in the future, isn't administrative ability a prerequisite?

Answer: It's true I don't care for details, but as my one and a half years as the Taoyuan County magistrate demonstrated, I didn't do badly on that score. A political leader cannot simply rely on thinking big, on ideals, for ability is also important. You can say that I am bored by administrative responsibilities, but that does not mean that I don't know how to administer. There are no truly able political leaders who don't know about administration; it is because they know it too well to involve themselves personally that they select the right persons for the jobs with themselves holding the key.

Question: If you became governor, would you then go on the banquet circuit?

Answer: Society says this is not a good thing! It is not that I care, or that I love banqueting, it's just that I don't care for such things.

Question: Some people say that you are like Li Hsiao-lung [2621 1420 7893], winning is what counts, the means utilized are not important?

Answer: It's the exact opposite. It is not that people like me do not choose their tactics, they do. Because we have too much faith [in others] that we do need to choose tactics. I am much smarter than you on that score, it's like what Mencius said: "Even if one can rule the empire by killing one innocent person, one should not do it." It is because I have too many choices, that's why we choose our tactics; only people in a terrible fix do not choose their tactics, because they don't have the option to so choose.

Question: What kind of blueprint do you have for Taiwan?

Answer: I have one important concept; namely, Taiwan is the world's newest emerging people.

A newly emerging people have two special characteristics: They know a great deal and they are full of vitality. There are historical reasons for this. In the early days, because East-West cultural exchanges took place through the Gansu corridor, the Mongols knew a great deal. As a nomadic people, they were full of vitality, and from all this they developed their special ability and skills. The Manchus were able to develop special ability by learning horsemanship from the Mongols, Han culture from the Chinese who migrated beyond the Great Wall, Western culture through the seafaring Chinese pirates and trade and commerce through nomadic herding. In the 20th century, the Japanese did the same thing: They knew a lot more than the Westerners, and they were more vigorous than the latter. Today, among the world's

newest emerging peoples, it is the Taiwanese who know a great deal and who have the greatest vitality.

Ten years ago, I had already focused on this issue. I was the first one to do so, and it is the source of my sense of self-confidence. I was moody and depressed when I was young, thinking that even if the presidency of Taiwan was offered to me, what could I do? I dwelled on that proposition during my college years, and became very pessimistic.

Today, our mission is how to enable this newly emerging people and country to develop and fulfill their historic mission; people say I am an ultra-nationalist, that's not so, for it is our historic duty. That's why with regard to the mainland policy, I am not like the majority in the DPP, it's the exact opposite: I am not afraid to make concessions. I consider it [the mainland policy] a Western expedition: When Taiwan businessmen invest on the mainland, that's the beginning of Western expedition; it is an unstoppable historic trend and we are bound to succeed for we cannot fail. Through China's massive market and manpower, Taiwan will achieve a position of preeminence in the 21st century in the same way the Mongols and Manchus did in their days, and will fulfill its historic destiny.

The second stage will not be easy to handle, it will require correct policy as well as leadership. We have seen how the Mongols and Manchus failed, will we repeat their mistakes? As leader, one has the responsibility of absolutely not letting 10 or 20 years pass [without doing what must be done]. Perhaps one should put it this way, will your achievement be that of just another economic power? The historic mission of Taiwan, in my view, is to establish a more rational relationship between production and distribution, for this is the flaw in economies of the Western nations including Japan. Nevertheless, in summing up, what we hope to build is a societal system. Perhaps our historic mission is that history will let Taiwan rise up and leave something behind for mankind. The meaning of Taiwan's place in history, therefore, is to establish and leave behind a more rational and more perfect economic system that will benefit all mankind. This is the framework of my thinking and the mission of my life.

That is why I do not really care to be a county executive, the provincial governor or even the president, for my hope is to have an opportunity to accomplish the above mission, for otherwise being president of the State of Taiwan would have no meaning. [passage omitted]

Professor Interviewed on 'Criminal Politics'

94CM0062A Taipei TZULI WANPAO in Chinese
17 Oct 93 p 2

[Article by Chou Ts'ui (0719 5050): "Interview With Taiwan University Political Science Professor Chao Yung-mao (6392 3057 5399): Effect of Lots of Money—Need To Block Outlets of Criminal-Influenced Politics"]

[Excerpt] After the shooting incident involving Yun-lin County assemblyman Liu Ch'i-hsun [0491 1142 6064]

and [his] secretary Ta Pin-hung [6671 2430 1347], the question of criminal forces manipulating local politics surfaced once again. Taiwan University political science professor Chao Yung-mao has spent close to 10 years studying the phenomenon of criminal-influenced politics and its relationship to local and regional political factions. In a special interview granted this newspaper, he analyzed the situation by pointing out that the Yun-lin case is a symptom of Taiwan's regional politics "fester-ing" at the core and that it is entering a criminal democracy period in which "local government is dominated by criminal politics" with all the trappings of an "Asian Sicily"; we should therefore consider this a wake-up call and treat the situation seriously. The following is the gist of Professor Chao Yung-mao's interview.

Judging from the data available to me, Taiwan today carries on a close relationship with criminal politics, most directly through members of a legislative assembly who came out of criminal politics and make up as much as 50 percent of its membership. This type of environment is very frightening because the linkage between criminal forces and local politics is extremely close which enables them to "divide the spoils on the spot" whether over the budget, administration or letting of municipal contracts, and this will impact on the quality and allocation of public services in local government.

As for the Yun-lin County incident, one can analyze it from three different perspectives to gain some understanding of the background and origin of criminal political influences: First, criminal politics thrive on receiving and granting of favors and settling disputes among enterprises and over spheres of influence controlled by the criminal forces themselves. Second, criminal politics have grown and evolved over time from the "societal model" in the 1950-60s, when they depended on blackmail, extortion, taking a cut on gambling winnings and operating prostitution and gambling activities to maintain their existence, to gradually changing to the "economic model" in the 1970s when Taiwan became developed economically and democratized politically and the new environment required the protection of politicians in power, and in this period the criminal enterprises began to restructure and became regional or publicly owned enterprises. Under these circumstances, the relationship between criminal forces and local political factions grew even closer and produced the situation in which the former would throw their support to certain factions or choose sides. At the same time, favors and grievances which one political faction may have vis-a-vis another would affect the interests of the criminal forces, so when such conflicts occurred, the criminal forces behind the various factions would come out to settle the disputes in behalf of their sponsors, and the atmosphere would become especially charged when elections are involved, and this threatens the fairness and safety of the electoral process itself. Third, the actual battleground of criminal forces is the elections not of the county magistrates, but the next generation of county assemblymen; therefore, the situation we see today is only the first shot

leading to the next battle, for the criminal forces are now only getting the candidates of their factions ready for the next election. Analyzed from the above-mentioned second and third factors, local politics and criminal politics are already intimately intertwined. If local political power comes from the county assemblymen, village chiefs and township mayors who all owed their political start to criminal forces, it would be difficult to say that criminal politics would not continue to develop and extend its reach to the provincial assemblymen and people's representatives in the national legislature, and this will certainly interfere with the goal of achieving honest government in national political development. If criminal forces and politics were too closely tied together, it would lead to even more severe "political struggle," particularly after criminal politics has monopolized local political power for a long period of time; this would compound the difficulties for any party in power to undertake any local political reforms. [passage omitted]

DPP Quotes Li Teng-hui

94CM0089A Taipei TZULI WANBAO in Chinese
19 Nov 93 p 2

[Article by Liu Min-tang (0491 2494 1016) in Taipei: "Li Teng-hui Goes Wild"]

[Excerpt] [passage omitted] The "Analects of Li Teng-hui's Wildness" compiled by the New Democratic Party include:

Tainan County - Li says "If Huang Hsiu-meng loses the election, I will commit seppuku." Note: It appears that if the head of state commits suicide, the "presidential elections" will have to be held sooner.

Chiayi City - Li says "If Chang Wen-ying does not have adequate ability, I will kneel down to get the votes." Note: If the head of state can kneel down so easily, does that not humiliate the nation and diminish its influence?

Taoyuan County - Li says "Liu Pang-you is absolutely clean and will not engage in land speculation." Note: When Liu Pang-you's three court cases were tried, the head of state openly stood as guarantor for him. Ai! The chastity of the Queen of Justice...

Hualien County - Li says "as a representative, Wang Ching-feng never sought favors." Note: There are two types of seeking favors. One is for private benefit; the other is for public benefit. A representative who never seeks favors is a lazy bum!

Tainan City - Li says "Based on my reputation, please support Shih Chih-ming." Note: If the head of state's reputation can be sold so cheaply, exactly how much is it per kilo?

Hsinchu City - Li says "Tung Sheng-nan was educated to enter politics and won't mess up." Note: Does Li Teng-hui think that other candidates are not educated? Ping-tung County - Li says "Su Chen-chang does not get along with others and does not understand government but Wu Tse-yuan would not finagle a 10 billion construction

check." Note: Eight months ago Li Teng-hui openly confirmed the political career achievements of Su and other New Democratic Party county chiefs. Now he wantonly criticizes them for the sake of the elections. The head of state's "nausea" makes one feel "bitter!" He also publicly endorsed Wu Tse-yuan's 10 billion check, thus even more clearly demonstrating how the central government favors the Kuomintang local leaders and impedes the work of opposition party county and city leaders.

Kaohsiung County - Li says "Yu Chen Yue-ying only works on improving Ch'un Chiao." Note: Yu Chen's accomplishments are universally acclaimed in Kaohsiung. It is inconceivable that the head of state would be making sarcastic remarks about Ch'un Chiao.

Taipei County - Li says "You Ching had no achievements during his term, but you can wear out your shoes searching and not find another like Ts'ai Sheng-pang." Note: You Ching based his bid for re-election on the assessment of ten major accomplishments during his term. His political rallies are always packed, which shows that the voters approve. If Li Teng-hui cannot see this, then his old eyes must be losing their vision.

Penghu County - During an inspection tour of county governments, Li expels County head Kao Chih-p'eng. Note: He goes on stage to do political magic tricks. First he is president; then he is chairman.

Taichung City - Li persuades Hsu Hsing-hui to withdraw, disregarding the fact that Hsu had sworn before "the gods" to be "in the election to the finish." Note: If Hsu Hsin-hui is reproached by the heavens, who will take responsibility?

Taichung County - Li beats his chest and says "If you believe in me, Li Teng-hui, then vote for Liao Liao-yi." Note: Liao Liao-yi was elected four years ago by buying votes and although he was caught, only his subordinates were sentenced. During his term, he also participated extensively in land speculation and the university town incident inspired 15,000 people to participate in protest demonstrations. He has also been indicted for the abuse of authority and public equipment for private purposes during this election. [passage omitted]

Article Notes 'Criticisms' of Television

94CM0089A Taipei TZULI WANBAO in Chinese
10 Nov 93 p 2

[Article by Sun Hsiu-hui (1327 4423 5610), Professor of Advertising at Chengchi University: "Dispelling Our Delusions on Television News Reporting"]

[Excerpts] [passage omitted] On 8 November, the Legislative Yuan voted to pass a key clause on funding for public television stipulating that each of the three television stations submit ten percent of their gross revenue each year as one source of funding for public television. The result of the vote by the Joint Committee Session not only demonstrated the ardent hopes of the people for television reform but also reflected the abhorrence felt

by many people during the elections when all three television stations were reduced to mouthpieces of the Kuomintang and not only favored the candidates of the ruling party but also went to extremes in every way to discredit the abilities of the opposition parties. The subtle aspect of this was that although the ruling party was constantly expressing views on the mass media (such as the need to scrupulously adhere to neutrality, and avoid exaggeration and incitation), the three stations did not change their ways. Instead, they pontificated instead at length on their demands that critics "not let political power interfere with reporting" as if vicious manipulators who interfered with television news reporting had never before existed.

Most who criticize television fall into a morass of news reporting principles such as subjectivity and objectivity, neutrality and balance, which appear clear but are actually vague. I am listing here two commonly seen criticisms with analysis of the "delusions" behind them.

Criticism one: As soon as elections come around, the television news takes on a distorted approach to discredit the abilities of the opposition powers.

Wrong! Television news is always quite distorted. Whenever a sensitive topic arises which is of great controversy or which has created conflict between two political parties (such as the vote on the No. 4 Nuclear plant case or the Gu-Wang talks), the three television stations' willing role as mouthpieces for the government becomes especially obvious. The most disastrous example of this was during the Gu-Wang talks when the reporting style of some television journalists caused some people to worry about the lack of distinction between the enemy and ourselves. It is not only during election time that the voices of the opposition powers are neglected. They have always been merely an optional "news source" in television news.

Criticism two: Excessive publicity for Kuomintang candidates in the television news during the elections can only have an opposite effect.

Voters who actively participate in political affairs and are concerned about the elections will find excessively slanted reporting offensive. However, don't forget, in this society there are still a large number of "politically indifferent groups" who have no interest in politics. They see voting as a periodic ritual and lack independent political decision-making ability and adequate political knowledge. These people also tend to be loyal television viewers, relying on the "reality" described on television to construct their external world. The images carved by the television news of the opposition parties long ago became deeply engraved in their minds. To these people, so-called excessive exaggeration merely enhances already existing impressions. [passage omitted]

Editorial on Nationalist Taiwan

94CM0062B Taipei TZULI WANPAO in Chinese
26 Oct 93 p 3

[Editorial: "Taiwan, Taiwan"!]

[Excerpt] As was customary, the provincial government held a cocktail party yesterday in Taichung to commemorate the Taiwan Recovery Day. When non-Taiwanese Provincial Governor Sung Ch'u-yu [1345 2806 2404, James Soong] delivered his remarks, he spoke quite a bit of Taiwanese. When President Li, who also attended the cocktail party made his remarks, he emphasized the unconquerable spirit born of the special circumstances and the vitality shaped by the "Taiwan experience." He expressed the hope that all Taiwanese will further develop this spirit, and strive for even more glorious achievements.

On the same day, the "Taiwan People's Federation" was established in Taipei. Invited to deliver remarks at that meeting, professor P'eng Ming-min [1756 2494 2404], noting that Taiwan had relations with Mainland China in only four out of the past 100 years, called upon all Taiwanese to sever any emotional ties to China and strive to achieve the dream of a Taiwan that is stable, prosperous, and democratic, with freedom and respect for human rights.

Also on the same day, a "Republic of Taiwan National Assembly" jointly sponsored by four organizations—the "Foundation for Establishing Taiwan as a State," the "Taiwan Sung-Chu Association," the "Association for Supporting Taiwan in the United Nations," and the "Taiwan Cultural Advancement Association"—held its first meeting outside the west gate of the Taipei Railway Station. The members demanded that Li Teng-hui dissolve the Republic of China and the Kuomintang

[KMT], transfer the KMT properties into a fund for establishing Taiwan as a nation, and truly recover or liberate Taiwan.

In the past, commemoration of the Taiwan Recovery Day was never quite so enthusiastic. In observing the Taiwan Recovery Day this year, one can sense there were different connotations in the commemorations held at different quarters.

Why is it that for the first time in 21 years a non-Taiwanese was appointed Governor? Why is it that this non-native Governor spoke in Taiwanese? This is because the KMT may possibly be trying to promote harmony among the peoples and groups. To use President Li Teng-hui's own phrase, the KMT is "re-opening an old store."

Why is it that P'eng Ming-min once again emphasized the "sovereignty of Taiwan?" This is because a large number of people have spontaneously reacted adversely to what they perceived to be covetous designs of the Chinese Communists.

Why is it that in establishing the "Taiwan People's Federation," no attempt was made to sort out the non-Taiwanese from among the sponsors and supporters? This is because the concept of Taiwan as a "living community" for every one is gaining widely popular, though still complex responses.

The issue of reunification versus independence is still to be fully debated, but on Taiwanese soil, the cries of "Taiwan, Taiwan!" are becoming louder and louder. [passage omitted]

END OF

FICHE

DATE FILMED

11 MAR 1994